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Reloading the Dice: Improving the Chances for Economic Development on American Indian Reservations

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**THE HARVARD PROJECT ON
AMERICAN INDIAN ECONOMIC DEVELOPMENT**

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RELOADING THE DICE: IMPROVING THE CHANCES FOR ECONOMIC DEVELOPMENT ON AMERICAN INDIAN RESERVATIONS¹

Stephen Cornell and Joseph P. Kalt

The experiences of a wide array of societies around the world amply demonstrate that achieving sustained, self-determined economic development is a complex and difficult task. Certainly this is the case on the Indian reservations of the United States, where numerous obstacles face tribal leaders, managers, and other individuals concerned about the economic well-being of their peoples.

In the introductory chapter, the editors of this volume review the specific obstacles that Indian nations face as they pursue their own development goals, outline the critical role that institutions of tribal governance play in the development process, and suggest ways that newly empowered tribal governments can improve tribes' own chances of achieving self-determined development success.

I. INTRODUCTION

American Indian societies are phenomenally resilient. In the last several centuries, they have faced winds of economic, political, and cultural change that have blown as fiercely over them as over any people in history. These winds have brought military violence and subjugation, epidemics of disease, seizures of land and property, vicious racism, and economic deprivation. Yet, as the twenty-first century approaches, hundreds of distinct Indian nations built upon dozens of cultural lineages still persevere and grow, variously bound together by ties of family, language, history, and culture. The lesson from Indian Country is a lesson of strength.

This strength is still being tested. Among the most formidable challenges facing native peoples today are those rooted in economic conditions. American Indians living on the nation's nearly 300 reservations are among the poorest people in the United States. On most reservations, sustained economic development, while much discussed, has yet to make a significant dent in a long history of poverty and powerlessness. Despite the many federal programs and the large sums of federal and philanthropic money that have been used over the years, many Indian reservations continue to experience extremely high unemployment rates; high dependency on welfare, government jobs, and other transfer payments; discouraging social problems; and an almost complete absence of sustainable, productive economic activity.

At the same time, in the last two decades some reservations have made significant progress. The examples are relatively few, but tribes as diverse as the Confederated Salish and Kootenai of the Flathead Reservation, the White Mountain Apaches, the Mescalero Apaches, Cochiti Pueblo, the Mississippi Choctaws, the Muckleshoots, and various others have shown that economic development can take place on Indian reservations, under Indian auspices, and serving Indian goals.² (Table 1 provides summary data on fifteen tribes whose development situations illustrate the range now apparent in Indian Country.) Still, the task of sparking and fueling development is enormous and complex. The challenge facing tribal leaders and policymakers remains immense.

TABLE 1
Economic Conditions
On Selected American Indian Reservations

	Change in Income 1977-1989	Adults with 1989 Income >\$7000	1989 BLS Unemployment	1989 Total Unemployment
Flathead	16%	39%	20%	41%
White Mountain Apache	12%	33%	11%	21%
Cochiti Pueblo	10%	43%	10%	22%
Mescalero Apache	9%	18%	52%	58%
Mississippi Choctaw	9%	36%	26%	27%
Muckleshoot	6%	16%	50%	57%
Pine Ridge Sioux	-1%	21%	61%	73%
Passamaquoddy	-3%	19%	56%	66%
San Carlos Apache	-7%	16%	51%	66%
Rosebud Sioux	-10%	4%	90%	93%
Lummi	-11%	19%	46%	58%
Hualapai	-11%	11%	45%	74%
Yakima	-12%	20%	61%	63%
Crow	-12%	11%	67%	78%
Northern Cheyenne	-15%	29%	48%	55%
All Reservation Indians	-1%	24%	40%	48%

Note: "Change in Income" refers to the change in the percentage of adults with incomes in excess of BIA poverty levels (\$5000 in 1977 and \$7000 in 1989). "BLS Unemployment" measures adults looking for employment but not finding it. "Total Unemployment" measures the percent of the tribal workforce not working.

Source: U.S. Department of the Interior, Bureau of Indian Affairs, "Indian Service Population and Labor Force Estimates," January 1989.

For the last five years, the Harvard Project on American Indian Economic Development has been studying economic development on Indian reservations. Our research has been prompted by two developments:

- Beginning in the 1970s, there has been a federal policy shift toward tribal self-determination. While this shift is tenuous and under constant attack, it has made it possible for tribes to exert increased control over their own development goals and programs.
- In the era of self-determination, tribes have begun to take different development paths, often with very different results. Some tribes are moving forward, under their own definitions of “forward.” Others appear to be stuck in place.

Our research objectives have been to explain why tribes differ in their economic development strategies and in the outcomes of those strategies, and to discover what it takes for *self-determined economic development*—development that meets tribal goals—to be successful. We make no assumption that all tribes share the same development goals, nor do we assume that they should embrace non-Indian definitions of development success. On the contrary, we think success itself ultimately must be evaluated on the basis of the tribes’ own criteria. It seems clear, however, that most tribes are deeply committed to improving the economic welfare of their peoples. At the same time, they are concerned that this be accomplished without losing political or social sovereignty, i.e., control over their own affairs and over the quality and nature of reservation life.

Much of our research has involved talking to and working with selected tribes—some successful, some not—on their development policies, projects, and programs. We also have looked in depth at the available numerical data on sixty-seven reservations around the country. This is a large and comprehensive research effort. It is not yet completed, but certain findings have become clear.

The purpose of this chapter is to outline our findings in a way that may help tribes make choices that improve their chances for sustainable, *self-determined* development. We begin by looking at the major

obstacles Indian tribes face in the development arena. We then discuss those development factors that appear, from our research, to be most important *and that tribes can actually do something about* as they try to expand tribal sovereignty and improve the economic welfare of their peoples. Our focus is on what *tribes* can do to promote their economic, political, and social well-being. In no sense does this mean that federal and state policies play only minor roles in the course that reservation economies take. Indeed, we conclude this study with a discussion of the implications of our findings for federal and state policy.

II. THE DEVELOPMENT GAMBLE

Economic development is a difficult task anywhere in the world. In Indian Country, however, self-determined economic development is a major gamble: the odds are hardly promising; the effort required is tremendous; the results are at best uncertain. A few tribes—for the time being, at least—have won. Many continue to lose. In fact, the dice are heavily loaded against economic development on Indian reservations.

A. OBSTACLES TO DEVELOPMENT

The obstacles are daunting. Tribes face a host of problems. Some of these problems are shared with other would-be developers—countries, cities, states—while some are specific to Indian tribes. Among the obstacles often listed in reports and studies or mentioned in Indian Country as explanations of continuing reservation poverty are these:

- Tribes and individuals lack access to financial capital.
- Tribes and individuals lack human capital (education, skills, technical expertise) and the means to develop it.
- Reservations lack effective planning.
- Reservations are subject to too much planning and not enough action.
- Reservations are poor in natural resources.
- Reservations have natural resources, but lack sufficient

control over them.

- Reservations are disadvantaged by their distance from markets and the high costs of transportation.
- Tribes cannot persuade investors to locate on reservations because of intense competition from non-Indian communities.
- Federal and state policies are counterproductive and/or discriminatory.
- The Bureau of Indian Affairs is inept, corrupt, and/or uninterested in reservation development.
- Non-Indian outsiders control or confound tribal decision making.
- Tribes have unworkable and/or externally imposed systems of government.
- Tribal politicians and bureaucrats are inept or corrupt.
- On-reservation factionalism destroys stability in tribal decisions.
- The instability of tribal government keeps outsiders from investing.
- Reservation savings rates are low.
- Entrepreneurial skills and experience are scarce.
- Non-Indian management techniques won't work on the reservation.
- Non-Indian management techniques will work, but are absent.
- Tribal cultures get in the way.
- The long-term effects of racism have undermined tribal self-confidence.
- Alcoholism and other social problems are destroying tribes' human capital.

These explanations are not necessarily wrong. Most of them are right somewhere or other in Indian Country. But some are far more important than others, and some are either insignificant, misleading, or mistaken. Whatever the case, the sheer magnitude and variety of such a list makes it virtually useless as a guide to tribal or federal policy and action. If all we know is that virtually everything is working against

development progress, then we have no clear idea of where to begin in the effort to improve the chances of success.

A more useful approach is to identify the key ingredients of successful economic development, determine which of these ingredients are most important, and identify which ones tribes actually can do something about. This approach can give tribes a better sense of where to devote time and energy so as to have the greatest impact; of how, in effect, they can “reload the dice” so as to increase the chances of success in the development gamble.

B. KEY DEVELOPMENT INGREDIENTS

The key ingredients of development can be divided into three categories: external opportunity, internal assets, and development strategy.

1. EXTERNAL OPPORTUNITY

External opportunity refers to the political, economic, and geographic settings that reservations find themselves in and by which they are linked to the surrounding society. These settings can limit or enhance tribes’ opportunities to accomplish their development goals, and are part of the reality they must deal with. The critical factors are:

(1) *Political sovereignty*: the extent to which a tribe has genuine control over reservation decision-making, the use of reservation resources, and relations with the outside world. As discussed more fully below, the evidence is clear that as sovereignty rises, so do the chances of successful development.

(2) *Market opportunity*: unique economic niches or opportunities in local, regional, or national markets. These opportunities can come from particular assets or attributes (minerals, tourist attractions, distinctive artistic or craft traditions), or from supportive federal policies (as in gaming, wildlife, and favorable tax treatment). As such opportunities increase, so do the chances of successful development.

(3) *Access to financial capital*: the tribe’s ability to obtain investment dollars from private, governmental, or philanthropic sources. Access depends on such factors as federal tax policy, tribal reputation, private sector knowledge and experience, and public funding. As

access to capital improves, so do the chances of successful development.

(4) *Distance from markets*: the distance tribes are from the markets for their products. The greater the distance, the more difficult and costly it is to serve those markets, reducing the chances of successful development.

2. INTERNAL ASSETS

Internal assets refer to characteristics of tribes themselves and the resources they control that can be committed to development. The critical factors are:

(1) *Natural resources*: minerals, water, timber, fish, wildlife, scenery, fertile land, etc. As natural resource endowments rise, so do the chances of success. It is worth noting, however, that such resources are not necessarily the key to successful development. A number of tribes with substantial natural resource endowments have been unable—despite major efforts—to turn them into productive economic activity, while some tribes almost completely lacking in natural resources have done quite well. Matthew Snipp has shown that reservations with significant energy resources, taken together, “are somewhat better off than other reservations but not by a large margin.”³

(2) *Human capital*: the skills, knowledge, and expertise of the labor force. These are acquired largely through education or work experience. As human capital rises, so do the chances of successful development.

(3) *Institutions of governance*: the laws and organization of tribal government, from constitutions to legal or business codes to the tribal bureaucracy. As these institutions become more effective at maintaining a stable environment in which investors feel secure and effort is rewarded, the odds of successful development improve.

(4) *Culture*: conceptions of normal and proper ways of doing things and relating to other people, and the behavior that embodies those conceptions. Such conceptions and behavior vary widely, with significant implications for development strategy. For example, the hierarchical “boss-worker” relationship that characterizes industrial factories may be acceptable in some tribes and abhorrent in others, while a strong

central government may be viewed as proper in one tribal culture and as grossly inappropriate in another.

The role of culture in development is complex and cannot easily be reduced to simple “if this, then that” statements that apply universally to all tribes. We will have more to say about this below, but, in general, our research keeps pointing to the conclusion that culture and the institutions of governance are a crucial pair of factors in development.⁴ Economic development can take hold in the face of a wide range of cultural attitudes on such matters as the sanctity of natural resources or the propriety of individuals trying to make themselves wealthier. However, unless there is a fit between the culture of the community and the structure and powers of its governing institutions, those institutions may be seen as illegitimate, their ability to regulate and organize the development process will be undermined, and development will be blocked. Without a match between culture and governing institutions, tribal government cannot consistently do its basic job: creating and sustaining the “rules of the game” that development in any society requires.

3. DEVELOPMENT STRATEGY

Development strategy refers to the decisions tribes make regarding their plans and approaches to economic development. The important choices are:

(1) *Overall economic system*: the organization of the reservation economy itself. Will it be a system consisting primarily of tribal enterprises, individual or family entrepreneurship, non-Indian investment or entrepreneurship, federally sponsored and controlled activity, or some combination of these? Again, we will have more to say about this below, but in general, where there is a match between the approach a tribe pursues and the social organization and culture of the tribe, the odds of successful development increase.

(2) *Choice of development activity*: the selection of specific development projects (e.g., a convenience store, a gaming operation, a motel, a timber enterprise, commercial hunting of wildlife, a manufacturing plant, etc.). Activities and projects that take advantage of tribes’ market opportunities, allow tribes to specialize in using the natural and/or

human resources most available to them, and are consistent with tribes' cultures are more likely to be successful.

It is important to note several things about these lists of external opportunities, internal assets, and development strategies. First, weakness in one or even several of the internal or external factors does not spell doom for development efforts. Distance from markets, for example, may not be a problem if the commodity a tribe is selling is rare, less expensive than alternatives, or easy to transport. The market, in effect, moves closer as it becomes more difficult or costly for buyers to obtain the product from someone else. Thus Navajo uranium, for example, while mined in areas remote from major markets, has been saleable in part because it is scarce. Similarly, human capital may be less important if a tribe's primary product is cut timber sold as logs to a broker. Producing it is fairly simple, and a relatively unskilled work force can be productive.⁵ Or, to use another example, natural resources may not be important to a tribe with skilled labor and good access to markets, as the Mississippi Choctaw case shows. A surplus of one factor may compensate for a shortage of another.

Second, the contributions of some of these factors clearly depend upon the presence of other factors. The best example, perhaps, is access to financial capital. The primary problem tribes face in obtaining investment capital is real or perceived instability in tribal governments and policies. Thus, capital access is first and foremost a problem of political development: the establishment of an institutional environment in which investors feel secure. This holds true whether the investors are banks, corporations, venture capitalists, or tribal members. With declines in federal funding over the last decade and poor prospects for significant increases in the near future, attention to the institutions-of-governance factor can be the best way to overcome the access-to-capital obstacle.

Finally, which of these factors can tribes do something about? Not all of them are equally easy to change. On certain factors, tribes essentially are stuck with what they've got; on others, they can alter the situation. Table 2 lists key development ingredients and indicates the degree to which they can be changed directly by tribes.

Tribes can do little, for example, to improve their natural resource endowments or their distance from markets. Similarly, a reservation's

TABLE 2
How Much Control Do Tribes Have
over the Keys to Development?

	Degree of Control		
	Low	Moderate	High
External Opportunities			
Political Sovereignty		X	
Market Opportunity	X		
Distance from Markets	X		
Access to Capital		X	
Internal Assets			
Natural Resources	X		
Human Capital		X	
Governing Institutions			X
Tribal Culture		X	
Development Strategy			
Economic Policy			X
Development Activity			X

market opportunity is largely a matter of economic forces that are outside tribal control. Tribes can invest in human capital via education and training, but the payoffs can take a long time to appear. Tribes may thus be compelled to “import” managers and skilled workers from outside, as tribes such as the Mississippi Choctaw and White Mountain Apaches have done while they wait for the training of their own people to take hold. However, whether it takes place by investment or importing, improving human capital requires money. As for changes in tribal culture, even if tribes were willing to make significant changes—a highly questionable assumption—cultures cannot simply be fine-tuned to meet a set of predetermined criteria. Cultural changes that do occur often take a long time to accomplish, and changes that enhance well-being require leadership and vision that are themselves scarce in most societies.

Political sovereignty can be changed, but an individual tribe cannot easily change it. The central determinant of political sovereignty is federal Indian policy, itself a product of interactions among the executive branch, the Congress, the federal courts, and various public and private constituencies, of whom tribes are only one. These interactions can be influenced through lobbying, public relations, and litigation, but such efforts require time and money, and the ultimate payoffs—especially in the courts—are hard to predict.⁶ Sovereignty, therefore, while critical to success, is only partially and unpredictably subject to the control of the individual tribe.

This is hardly an argument for complacency. Expansions in tribal sovereignty since the 1960s have come about largely as a result of the political activities of tribes and national Indian organizations. Those expansions have been key components in making self-determined economic development possible. Presumably, further improvements in tribal sovereignty—and preservation of the gains already made—will similarly depend on what Indians do, and the future of economic development in Indian Country will depend to some extent at least on Indian success in this battle to sustain and expand existing tribal sovereignty. The question here, however, has to do with where indi-

vidual tribes can most productively focus their energy in the development arena so that what has been made possible by expansions in tribal sovereignty is realized in real development gains. This depends increasingly on the ability of tribes to effectively *exercise* the sovereignty they now command.

As Table 2 indicates, three factors stand out as major candidates for tribal action. The first is institutions. Tribes can alter their own institutions of self-governance, with major impacts on their chances of development success. The second and third come under development strategies: Tribes also can exercise control over development policy and over the specific development projects they pursue. What can tribes do in these areas?

III. WHAT CAN TRIBES DO?

For many Indian nations and their leaders, the problem of economic development has been defined as one of picking the right projects. Tribal governments often devote much of their development-related time and energy to considering whether or not to pursue specific projects: a factory, a mine, an agricultural enterprise, a motel, and so on. Some of these are proposed by outsiders, some by tribal members; others are simply whatever is currently fundable under federal programs. Using their own judgment and whatever information they can assemble, tribal councils and tribal planners try to pick winners.

Picking winners is important, but it is also rare. In fact, Indian Country is dotted with failed projects that turned sour as investors' promises evaporated, or enterprises failed to attract customers, or managers found themselves overwhelmed by market forces and political instability. In fact, many tribes pursue development backwards, concentrating first on picking the next winning project at the expense of attention to political and economic institutions and broader development strategies. Development success is marked, in part, by the sustainability of projects. Generally speaking, only when sound 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.

Indeed, in our research two factors more than any others distinguish successful tribes from unsuccessful ones: *de facto* sovereignty and effective institutions of self-governance. The strategic issues, while important, follow on these.

A. THE ROLE OF SOVEREIGNTY

By “*de facto*” sovereignty we mean genuine decision-making control over the running of tribal affairs and the use of tribal resources. While the legal status of Indian sovereignty waxes and wanes with federal court decisions and legislation, it is still the case that an assertive and capable tribe can take primary control of many economic decisions away from the leading contender for such power—the Bureau of Indian Affairs (BIA). In case after case where we see sustained economic development, from the Flathead and Mescalero Apache reservations to Cochiti Pueblo and Mississippi Choctaw, tribal decision-making has effectively replaced BIA (as well as other “outside”) decision-making. While the resulting relationships between tribe and BIA range from the cooperative to the contentious, they are characterized by a demotion of the BIA’s role from decision-maker to advisor and provider of technical assistance.

The reason why tribal sovereignty is so crucial to successful development is clear. As long as the BIA or some other outside organization carries primary responsibility for economic conditions on Indian reservations, development decisions will tend to reflect outsiders’ agendas. In the case of the BIA, for example, bureaucratic standards of success (protecting a budget, expanding authority) will tend to be given more weight than tribal standards of success. But when BIA or other federal decisions lead to lost opportunities or wasted resources, the costs are borne most directly by the affected tribe, not by the federal bureaucracy.

Transferring control over decisions to tribes does not guarantee success, but it tightens the link between decision-making and its consequences. Tribes have stronger incentives to make appropriate

development decisions than the BIA because they are the ones who more directly bear the costs and reap the benefits of those decisions. This is evident in comparisons of tribes' overall development efforts.⁷ It is also borne out in specific sectors of the economy, such as forestry, where transferring significant control from the BIA to tribes has spurred productivity (see the chapter by Matthew Krepps in this volume).

The legal and de facto sovereignty of tribes has been subject to constant challenge, and it is frequently asserted that if tribes wish to be sovereign, they must first establish sound, nondependent economies. Our research indicates that, for two basic reasons, this reasoning is backwards. First, as we have said, sovereignty brings with it accountability. Those whose resources and well-being are at stake are the ones in charge. Without this accountability, as in the years before self-determination became established federal policy in the 1970s, sustainable development on reservations was virtually nonexistent. Second, the sovereign status of tribes offers distinct legal and economic market opportunities, from reduced tax and regulatory burdens for industry to unique niches for gaming and the commercial use of wildlife. Sovereignty is one of the primary development resources tribes now have, and the reinforcement of tribal sovereignty under self-determination should be the central thrust of Indian policy. One of the quickest ways to bring development to a halt and prolong the impoverished conditions of reservations would be to undermine the sovereignty of Indian tribes.

Having said this, the fact is that the formal boundaries of tribal sovereignty are not easy for the individual tribe to change. Tribes may not be able to do very much, at least in the short run, to alter the legal position they occupy within the larger society. What tribes can do is be more or less aggressive in asserting the sovereignty they possess. As we have noted, the successful tribes we have studied are uniformly marked by aggressive assumptions of authority over tribal development decisions.

B. THE ROLE OF INSTITUTIONS

Assertions of sovereignty, however, are not enough. Once established, sovereignty must be put to effective use. This requires more than simply

aggressive decision-making. A tribe laying claim to the right of self-determination must be armed with capable institutions of self-governance. In Indian Country, as in developing societies around the world, such institutions are essential not only to the successful exercise of sovereignty, but to successful economic development as well.

Institutions can be thought of as the formal and informal mechanisms by which groups of people act together. Formal institutions include constitutions, charters, laws, and other formal rules that regulate what people do. Informal institutions include culturally supported standards of right and wrong, proper and improper, normal and abnormal. These standards likewise regulate what individuals and groups do, but through the values, rules of behavior, and ideas we all learn from growing up and living in a particular community. They are communicated to us as part of a society's culture, enforced by the approval and disapproval of our parents, peers, elders, and other authority figures.

As tribes set about achieving genuine self-government, the need is to put in place formal governing institutions that can perform three basic tasks: (1) mobilize and sustain the tribal community's support for its institutions and for particular development strategies; (2) efficiently make and carry out strategic choices; and (3) provide a political environment in which investors—large or small, tribal members or nonmembers—feel secure. These institutions of self-governance have to work both at the level of policy and group action (for example, the design of the reservation economic system and the making of rules and laws) and at the level of day-to-day bureaucratic functions (for example, program administration and law enforcement).

TASK 1: MOBILIZE AND SUSTAIN SUPPORT FOR INSTITUTIONS AND STRATEGIES

The power of self-governance in and of itself is no guarantee of economic development. Such power can be the key to creating an environment in which self-determined economic development succeeds, or it can create an environment in which self-determined economic development becomes impossible. Societies in Eastern Europe, Asia, Africa, and Latin America are repeating these lessons on a daily

basis. To perform beneficially, self-government—governing institutions and their decisions—ultimately must have the support of the community. Without this support, the results are likely to be instability, stagnation, and a government that serves only the temporary interests of the faction currently in power.

But where does sustainable support for the institutions and policies of self-government come from? Our research indicates that such support depends critically on achieving a match between the formal institutions of governance on the one hand and the culture of the society on the other.

For example, among the things we learn as part of our experience in a community are certain political standards. These constitute answers to such questions as: Who should rightly wield governmental power? What are the legitimate rights of citizens and leaders? How should we resolve disputes among ourselves? and so on. These culturally shared political standards ideally form the foundations of the formal institutions of self-government. Without such cultural foundations, the formal government of a society is likely to lack legitimacy and respect in the community it is supposed to govern.⁸ It is then more likely to be an engine of conflict and a vehicle for the pursuit of personal gain, and less likely to be able to resolve conflict, articulate and support the public interest, and create an environment in which social and economic development can take place.⁹

For many American Indian tribes, there is a very real possibility of a mismatch between their formal governments and the standards of political legitimacy found in their cultures. Tribal constitutions often have been written and, if not imposed, at least promoted by outsiders. Most of the constitutions adopted under the Indian Reorganization Act (IRA) of 1934, for example, under which many tribes operate, were drafted by the Department of the Interior with minimal attention either to indigenous forms of government or to the broad diversity among Indian tribes.¹⁰ Tribes had the opportunity both to accept or reject, via tribal referenda, the IRA itself, and to adopt tribal constitutions designed under its provisions. In some of the early tribal referenda on the IRA, member abstentions were counted as favorable votes, and both the IRA and some constitutions were adopted in some tribes despite the abstentions of significant majorities of eligible voters.¹¹ Especially in

the early years of the IRA, outsiders and their objectives often dominated tribal bureaucracies. The bureaucratic functions of most reservation governments were designed to fit BIA and other federal programs and needs, and to serve as channels through which resources could be transferred back and forth between the reservations and external governments. In few cases were the structures of tribal government effectively designed to assist tribes in making and implementing their own policy decisions. As Vine Deloria and Clifford Lytle point out, in the original conception of tribal governments on which the IRA was based, “the intent of tribal governments [was] to manage Indian resources, not to act in a national capacity.”¹²

Nonetheless, certain tribes appear to have done relatively well under the IRA. IRA constitutions—and those modeled on them—typically created a system of centralized tribal government with a single chief executive (the tribal chair or president), a one-house legislature (the tribal council), and a weak or absent judiciary.¹³ This system appears to match certain tribes’ traditions and norms regarding the legitimate structure and powers of government, and these tribes may function effectively under these provisions.

The relatively successful Apache tribes (Table 1), for example, carry a tradition of often popularly selected, strong chief executives with significant administrative and judicial powers at the local group and band levels, and with considerable moral authority and symbolic significance in group affairs. Notwithstanding the range of authority conferred on Apache executives, ascendancy to leadership depended upon a form of the “consent of the governed” citizens. Leaders who abused their positions were simply deserted. The indigenous Apache term for leader is “he who convinces us,” suggesting limits on executive powers that might otherwise be turned to the pursuit of private interests over public interests.¹⁴

These historic foundations of Apache governance share some common ground with the IRA system, i.e., in both indigenous Apache governance and the IRA we find few and relatively undifferentiated branches of government.¹⁵ Our research repeatedly finds that this kind of common ground—this match between cultural standards of governmental legitimacy and the formal structure of tribes’ current governments—is a key to creating an environment conducive to economic

development.

By the same token, it comes as no surprise that where tribes' governments are not backed up by accepted cultural standards of propriety, tribal governments can become destabilizing forces that discourage not only the effective exercise of political and social sovereignty, but economic development as well. Imposition of the IRA constitution on some Sioux societies, for example, where economic and social problems are marked (e.g., Table 1), serves as a case in point.

Historic Sioux societies had fairly fluid but highly developed political systems. Oglala bands, for example, were governed by a council, or legislature, known as the Big Bellies or *naca*, composed of headmen, medicine men, warriors, and other men of stature. This council selected from among its number an executive council of four chiefs or councilors, who bore primary responsibility for the welfare of the group. They were ultimately responsible for camp policy, dispute resolution, and for advising the people on issues of significance to the community as a whole. They in turn delegated authority to four younger men, known as "shirt wearers," who served as the executives of the tribe and the voice of the chiefs, responsible for carrying out their policies. These then appointed marshals or *akicita* who were responsible for the maintenance of order, for seeing to it that the decisions of the chiefs and the laws of the society were observed by all the members of the camp—including the Big Bellies and the chiefs themselves—and for disciplining violators.¹⁶

Political organization above the band level apparently was rare and fleeting, but according to Royal Hassrick, something resembling a national assembly met yearly prior to the mid-nineteenth century. In these gatherings hundreds of delegates from the Oglala, Miniconjou, Brulé, and other Sioux tribes selected four "Supreme Owners" who served as chief executives of the nation.¹⁷ At the same time, it seems clear that collective identity was most prominently focused at the band or *tiyospaye* level, where there was a high degree of group autonomy.

This intricate governmental structure—with its strong legislature, executives selected by the legislature in a parliamentary fashion, articulated judicial authorities, and perhaps a federalist national system of some sort—apparently served the Sioux well during their rise to dominance on the northern plains. Eventually, sustained warfare with

the United States and the loss of the buffalo overwhelmed it, while reservation administrators actively suppressed indigenous Sioux government. When the new tribal government was established at Pine Ridge under the IRA in the 1930s, the old *tiyospayes*—still apparent in the settlement pattern on the reservation—as well as the complex and multilayered structure of Sioux government were largely ignored. As it turned out, however, the cultural standards that supported traditional Sioux government had not been entirely eradicated, nor had localized allegiances and identity.¹⁸ At Pine Ridge, citizens continue to spontaneously create subnational district governments and organizations that take over functions that might otherwise be performed by the central IRA tribal government. The United States, meanwhile, continues to treat the centralized tribal government (with its one-house legislature and popularly elected single president) as the legitimate government of the tribe.

Under these circumstances, it is no wonder that the IRA government at Pine Ridge is subject to turmoil and experiences great difficulty in exercising stable, sovereign authority or in winning the allegiance of the community. In such an environment, tribally sponsored economic development has difficulty taking root.

In short, the Apache-Sioux contrast illustrates the point: Some IRA tribes have indigenous traditions and structures that “fit” better than others the IRA model of centralized government operating under a single chief executive and a one-house legislature without an independent judiciary. Where this kind of match holds, tribes have relative success in moving forward under self-determination. Other tribes’ traditions may include decentralized authority and identity, regional or clan-based government, or political power founded on religious belief. These tribes have greater difficulty governing themselves under IRA-style constitutions. What this suggests is that, for many tribes, constitutional reform is the appropriate first step toward sustainable economic development.

TASK 2: IMPLEMENT STRATEGIC CHOICES

Task 2 requires laws, rules, and procedures that can get things done.

Several dimensions of this stand out in Indian Country.

(1) *Formalized Decision Rules and Procedures.* No society of significant size can count solely on the goodwill of its leaders and citizens or their spontaneous loyalty to shared cultural values to hold the society together, especially across activities as diverse as investing public monies in schools, roads, or resource development; litigating, lobbying, or negotiating with other nations; or regulating, prohibiting, or penalizing various behaviors by the society's own members. Conflicts of interest and opportunities for private advantage inherent in these activities cannot consistently be controlled simply by appeals to conscience or to essential or traditional "Japanese" or "American" or "German" or "Cherokee" or "Arapahoe" or "Sioux" values. Sharing such values can be important in helping people to understand, sympathize, and identify with each other, and to recognize that there is, indeed, a public interest to be served, particularly in times of fundamental change (as, for example, during constitutional reform). But sustaining public spiritedness during the long, hard battles over defining and implementing the will of the people is a nearly impossible task.

For this reason, among others, human societies devise rules and procedures that delegate and delimit authority. From the orally transmitted laws of the Iroquois Confederacy to Robert's Rules of Order to the fish and game code of the White Mountain Apaches, formalized rules and procedures serve to *empower* a people by allowing them to carry forward the public's interest. In promoting government by law, such rules and procedures help to insulate the public interest from the possibility that individuals interested only in their own advantage on occasion will end up in positions of power.

The need for such systems of formalized rules and procedures in Indian Country is amply evident. Business codes that regulate on-reservation permit procedures can prevent every new enterprise proposal from turning into a political fight. Similarly, environmental codes governing land use, wildlife, and resource extraction can streamline decisions on individual projects while still embodying the people's views on the proper use of reservation assets (see, for example, the chapter by Nissenbaum and Shadle in this volume).

Codes themselves, however, must be implemented through a process that clearly defines the rights and responsibilities of all affected

parties: When can the tribal council overrule the land-use office? When can public debate be cut off? What right of appeal do applicants have, and to whom? What is the power of the tribal council vis-à-vis the judiciary? and so forth. The tribe that fails to answer these kinds of questions with clear and hard-to-change rules and laws invites the kind of conflict and instability that raises roadblocks to development.

(2) *Professional Financial, Personnel, and Record Systems*. Many tribal governments encounter repeated difficulty as a consequence of their inability to maintain close control over tribal finances or of the failure to keep day-to-day operations running smoothly. Development will be discouraged if the paperwork on the new business permit is lost, or if tribal records are cleared out each time the leadership changes hands, or if the building contractor's bill goes unpaid until funds can be shuffled around departments, or if each firing of a tribal employee turns into a political crisis. Good financial controls and record systems prevent abuses, improve performance monitoring, increase accountability, and enhance the tribe's ability to make informed, knowledgeable decisions regarding tribal assets and opportunities.

Similarly, professional personnel standards and grievance procedures (such as a personnel appeals board that has genuine authority) allow the tribal bureaucracy to weather political storms and can insulate tribal politicians from petty factionalism (for example, the disgruntled worker can be directed to a personnel grievance process instead of to the tribal chair). Where resolving grievances on the part of tribal employees depends less on who is tribal chair or on who sits on the tribal council and more on a formalized, fair, and dependable grievance process, the tribe enhances its political stability and increases its ability to effectively manage its own affairs.

In short, the ability to get things done, typically through a professional and capable bureaucracy, is a critical element in translating tribal policy choices into results. Such a bureaucracy need be neither large nor elaborate, as the relatively effective bureaucracies at Cochiti Pueblo and Muckleshoot illustrate. The revenue office at Rosebud Sioux consists of a director and one assistant; when collections need to be made, it is likely to be the director who gets in her pickup truck and drives across the reservation to pick up the check. The point is not to build up some complicated set of bureaucratic offices or elaborate staff,

but to establish rules that consistently govern the way tribal affairs are handled, and to make certain those rules survive changes in leadership or other personnel.

This bureaucratic capability appears to be a significant factor in relative development success at reservations such as Flathead, Mescalero, and Mississippi Choctaw, and of selected operations at White Mountain Apache and Cochiti Pueblo. It also is important in recent improvements in the development situation at Muckleshoot.

TASK 3: ESTABLISH A POLITICAL ENVIRONMENT SAFE FOR DEVELOPMENT

American Indian reservations compete with other localities to attract economic activity, including not only the activity of outside investors, but that of their own citizens. To be successful in this competition, reservations generally must be able to offer the opportunity to earn economic returns commensurate with, or better than, the returns people and assets might earn somewhere else. Financial capital can readily migrate away from the reservation, and tribal labor can look for work off the reservation or, in a bad regional labor market, move away altogether. While personal ties and commitments may help to retain labor on the reservation, the greater the employment opportunities, the more likely people are to stay.

Even when labor is settled and available on the reservation, financial assets are also necessary for economic development. Investment dollars have to come from somewhere in order to provide people with the tools and materials needed to make them productive and competitive. The \$10,000 needed to stock an auto parts store, the \$8,000 needed to buy used agricultural equipment, the \$2,000 to expand an arts and crafts cooperative, or the millions needed for a tribal sawmill all depend on individuals' or private or public entities' willingness to invest.

Throughout the world, countries' economic policies and governmental systems eat into the returns that investors can expect in two primary ways: by raising risks and by raising production costs. Invest-

tors' risks are raised, for example, by uncertainty in tax and/or regulatory policy, and by insecurity in the enforcement of contracts and agreements. Investors' costs can be raised by governmental actions such as hiring policies designed to shield certain workers from competition, inadequate provision of public services (roads, water systems, and waste disposal facilities, etc.), high taxes, or rules that change with every new administration. More subtly, investors' returns can be squeezed by delays, legal hurdles, and political infighting.

This is not to say that tribes should never tax, should never encourage hiring certain kinds of workers, or should provide every public service an enterprise demands. Nevertheless, it must be recognized that the power to govern can be the power to transfer wealth, at investors' expense, to those who govern. Insisting on employment for the chair's supporters, dipping into the cash reserves of the tribal enterprise to fund a popular project, or changing lease or royalty terms in midstream—these kinds of actions can discourage investment and effort to the point that they shrink the reservation economic pie. They thus work unambiguously against the tribal public's interest in a healthy economy.

The results are doubly destructive when the prospect of being on the lucrative receiving end of such actions encourages individuals to invest their time, effort, and capital in wealth-destroying governmental activities. We have only to look at the staggering economies of Eastern Europe to see how development is blocked when the goal of a country's hardest working and most capable individuals is to become a bureaucrat, when enterprise managers' incentives are to keep themselves in the good graces of politicians, and investment capital flees at the first opportunity.

The central problem is to create an environment in which investors—whether tribal members or outsiders—feel secure, and therefore are willing to put energy, time, and capital into the tribal economy. The successful tribes we see have solved, in one way or another, two critical aspects of this problem.

(1) *The Separation and Limitation of Powers: Who Controls What?* As the foregoing suggests, all societies face the problem of preventing those who exercise the legitimate powers of government from using that power to transfer wealth—or additional power—to themselves.

The use of government for personal gain can take place either through direct (though often hidden) taking of funds or authority, or through the biasing of laws, rules, and regulations so as to favor the interests of those in authority. This activity is socially destructive. Where government is viewed largely as a source of power or wealth, many of a society's best and brightest people will devote their energy and talent to seeking government favors. But such investments of energy and talent add nothing to a society's productive output. In fact, they discourage productive investment: Investors will not step forward with their dollars or their energy if they suspect that their investment is going largely to the enrichment of other people.

The problem is to limit the role of those in power to that of "third party" enforcer—the third party that referees and enforces the rules of the game—rather than a self-interested primary party in disputes and decisions over the use of a society's resources. Around the world, from the United States to Korea to the Philippines to Zaire, success at this task stands out as a make-or-break characteristic distinguishing those sovereign nations that have been able to develop economically from those that have not.¹⁹

This is as true in Indian Country as it is anywhere else. Too often, for example, those with claims against either the tribe as a whole or other tribal members can appeal only to the tribal council. Without constitutional checks and balances, such as an independent judiciary of some sort, tribal politicians are in a position to turn authority into personal power or gain. 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 broad. While many tribes have weak judicial branches in which judges serve largely at the pleasure of the tribal council and their decisions are subject to council or even chair reversal, several tribes have formed strong, effectively independent judiciaries (see the chapter by Andrea Skari in this volume). In such cases 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. The Flathead Reservation has such

a system, with the further twist that appeals of tribal court decisions are made not to the tribal council but to an independent 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.”²⁰ 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 decisive 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 are reluctant to make such waivers, third-party arbitration. Finally, tribes can depend on strict constitutional delineations of powers or, in rare cases such as Cochiti Pueblo, on informal, culturally based, but powerful rules 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 limits that, to one degree or another, restrict self-serving behavior. These limits come from the formal (constitutional) organization of government, backed up by the kinds of culturally rooted standards and expectations regarding the appropriate behavior of leaders and the legitimate powers of centralized government that we have discussed above.²¹

We find a sharp contrast 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). This council is virtually unlimited in its authority over the structure and powers of tribal government, and bears little resemblance to prereservation forms of Crow governance, in which authority was minimally organized

TABLE 3
Contributions of Alternative Governmental Forms to
Reservation Employment Levels

	General Council	Parliamentary System	Strong Chief Executive
No Independent Judiciary	—	10.8%	14.9%
Independent Judiciary	5.0%	15.8%	19.9%

- Notes:
1. *General Council* places all voting tribal members on the tribal council (legislature). *Parliamentary System* has a representative tribal council which itself elects the tribal chair from among its members. *Strong Chief Executive* has a representative tribal council and a tribal chair with a term of more than 2 years, elected by all voting members of the tribe.
 2. Reported measures of contribution to employment are for an otherwise average tribe (i.e., with average resource endowment, educational attainment, economic conditions in surrounding off-reservation locale, etc.), after taking into account the effects of such factors on employment levels.
 3. Data are for 1989 for a sample of 67 tribes with populations greater than 600.

Source: Stephen Cornell and Joseph P. Kalt, "Where's the Glue? Institutional Bases of American Indian Economic Development," Harvard Project on American Indian Economic Development, Project Report Series, February 1991.

through kinship relations, particularly the clan system, the policing powers of warrior societies, and relatively weak executives.²² At Crow today there are no formal separations of power, no checks and balances. 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 a setting that effectively lacks any private sector alternatives). 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 is an environment in which the tribe has extreme difficulty in attracting and keeping investment and employment opportunities, has a governmental bureaucracy that is paralyzed in its ability to carry out day-to-day administration, and has experienced occasionally dramatic social and political breakdown.

The Flathead case illustrates a 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 with a strong legislature (the tribal council) and a relatively weak chief executive. The chair is selected by the popularly elected parliamentary representatives (the council) from among their members, rather than being elected by the tribal membership. In this way power is shared among people with no tradition of consolidating power in a single authority. As noted, Flathead also has an effectively separate (i.e., professional and legislatively protected) judiciary. The result is a system of formal separations of powers, complete with “checks and balances.”

Both this reliance on formal control of governmental power at Flathead and the general council at Crow are 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, and a well-defined separation of powers. These are embodied in the formal institution of the *cacique*, the chief religious leader of the tribe, who selects the primary tribal executive officials each year, including the governor of the pueblo, but has no direct authority in day-to-day tribal operations.²³

Cochiti's relative economic success (see Table 1) and the apparent sustainability of its major development efforts indicate that this approach works, at least for Cochiti. Indeed, the contrast with Flathead's government illustrates the crucial point that all tribes face the same problem of limiting self-serving behavior on the part of tribal leaders, but that formal solutions may be very different from tribe to tribe.

On the other hand, not just any solution will do. The solutions tribes turn to not only have to be appropriate to tribal cultures, they also have to work. Solutions that fit with indigenous culture but fail to constrain the power of those who govern will only further undermine the possibilities of politically, socially, and economically successful development.

The importance of governmental structures is borne out by available systematic evidence. In our study of sixty-seven tribes for which comparable data are available, we found that tribes with constitutionally based, strong chief executive (i. e., directly elected, typically to four-year terms of office) and strong (parliamentary) legislature governments consistently outperform general council governments. Moreover, independent judiciaries promote economic well-being under all types of tribal executive and legislative systems. As shown in Table 3, after accounting for the influence of other factors that can affect development (such as natural resources, educational attainment, and local market conditions), strong chief executive governments outperform, to some degree, strong legislature governments. Both forms of government account for at least a 10 percent improvement over general council systems. Independent judiciaries generally improve tribal employment by an additional 5 percent.²⁴

(2) *The Separation of Electoral Politics from Day-to-Day Management of Business Enterprises.* A second, related problem has to do with the direct role of tribal government in development projects. Tribal governments play—and should play—a critical role in tribes' strategic decision-making. It is appropriate that strategic decisions regarding the disposition of reservation resources and the character of reservation life be brought into the political arena. Turning a reservation mountainside into a ski resort or a mine, inviting IBM or the Department of Defense onto the reservation—these decisions rightly are topics for political debate.

This does not mean, however, that tribal governments should make all or even a significant number of the day-to-day business decisions on reservations. This is not always an easy pill for tribal governments—or any other governments—to swallow, particularly on reservations with tribally owned businesses. After all, the enterprises are the property of the people; shouldn't the people's representatives—the politicians—have a direct say in how business is run? Unfortunately, although this argument has some appeal, the reality is that it can only be made in the short run. In the long run, inserting politics into day-to-day business decisions invariably undermines efficiency and productivity, saps the resources of the organizations, and runs tribal enterprises into the ground.

The primary economic task of a nation's government is not to make day-to-day business decisions, but to create and sustain an appropriate economic environment for that nation, to lay in place the rules of the game that economic players then follow, and to make *strategic decisions* about the overall direction development should take. This is true from the United States to Poland or Japan, and from the Passamaquoddy Reservation to the Northern Cheyenne.

For the tribe seeking economic development, however, *day-to-day decisions on how to run a business* are another matter: whom to hire at the tribal store, how many elk to take in the fall hunt, how to manage the payroll at the manufacturing plant. In fact, keeping tribal governments focused on strategic issues and out of the day-to-day affairs of reservation businesses is one of the keys to sustainable development. 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 tribal council interference. Such problems are not unique to Indian Country—witness Chicago or Boston, or the Philippines or Mexico, where the politics of patronage and personal aggrandizement have memorable histories. While the details vary across reservations and other societies, their consequences are depressingly similar: costs are raised and competitiveness reduced; earnings are dissipated and capital is not replenished; investors fear being held hostage to politics and turn away. In a highly competitive world, there simply is no cushion to absorb costs that are higher than they have to be, production that is less

TABLE 4
Profitability of Tribal Enterprises in 18 Tribes:
Independent v. Council-Controlled Management

	Independent	Council-controlled
Profitable	34	20
Not Profitable	5	14
Odds of Profitability	6.8 to 1	1.4 to 1

Source: Self-reported survey of 18 tribal chairs, Senior Executive Education Program for Tribal Leaders, College of Business, Northern Arizona University, Flagstaff, Arizona, June 1990.

efficient than it can be, or quality that is lower than customers can find elsewhere.

Successful business enterprises in Indian Country, whether private or tribally owned, are typically distinguished by the insulation of their day-to-day affairs from political interference. In those cases where there is a strong private sector on the reservation (such as at Flathead) one of the keys is a capable, independent tribal judicial system that can uphold contracts, enforce stable business codes, settle disputes, and, in effect, protect businesses from politics. In some cases where tribes have attracted large outside investors to the reservation, enterprises are effectively insulated from political interference by formal agreements between the investors and the tribes, backed up by provisions for third-party arbitration and/or limited waivers of sovereign immunity (i. e., subjection to an outside court).

Where businesses are tribally owned, it is more difficult to separate day-to-day enterprise management from politics, but the problem can—and must—be solved. Table 4 shows the results of a survey of the tribally owned businesses of eighteen tribes. As of 1990, these tribes owned a combined total of seventy-three enterprises, covering a wide range of sizes and activities, from agriculture to manufacturing. A total of thirty-nine of these enterprises were identified by their respective tribal leaders as being insulated formally from tribal politics, typically by a managing board of directors and corporate charter beyond the direct control of individual council members and the tribal chair. Some of these enterprises were operating profitably; others were losing money. However, the odds that an independently managed tribal enterprise was profitable were almost seven to one. On the other hand, the odds that a tribal enterprise that was not insulated from tribal politics was profitable were only 1.4 to one (see Table 4).

The ways that tribally owned enterprises can be insulated effectively from politics vary. Those now apparent in Indian Country range from culture-based separations of powers and 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, Cochiti—have put together their own development corporations to manage tribal enterprises. The successful ones place such management in the hands of appointed boards of directors

that are accountable to the tribal council in the long run, but are genuinely 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, 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 wealth and opportunity. (A prototypical tribal development corporation is described in detail in Michael Cameron's chapter in this volume.)

As these examples illustrate, and as we stressed above, the solution lies in effective institutions. These institutions need not all be alike—they almost certainly will not be—but each tribe has to find ways to minimize the impact of politics on day-to-day business affairs. Of course, designing effective institutions is not easy. Tribal councils are reluctant to give up direct supervision of tribal enterprises or direct control of the investment environment. This is understandable. Such control gives council members a great deal of power. Outstanding individuals may exercise that power wisely, but in fact it weakens the tribe over the long run by creating a situation in which development success depends on the character of individual leaders. Who knows whether the next individual chosen for that position will be as good? If the society could count on *always* choosing leaders with sufficient integrity and wisdom to manage tribal businesses in ways that ultimately serve both the public interest and the interests of investors, this would hardly be a problem. But few—if any—societies in the world have managed to put together such a record. Given the diversity of individuals in the world and the unpredictability of free citizen selection of leaders, institutions become the necessary insurance that the tribal interest will be protected.

Traditionally, most Indian tribes had institutional solutions to these problems. In many tribes, for example, war or hunt leaders and peace leaders were not the same. Responsibility for the day-to-day management of food procurement or warfare lay in the hands of persons specially chosen and qualified for those tasks, and vested with adequate authority to carry them out. Interference in their decisions, even by individuals with substantial status and power, was not tolerated. On the other hand, longer-term decision-making about the society's welfare—essentially strategic management—lay in the hands of often more

senior individuals who, because of their accumulated wisdom, were trusted to interpret and protect the collective interest over the long run. While the variation among tribes was substantial, many displayed little of the concentration of power across diverse activities that we see in many tribal governments today.²⁵ But whatever their specific form, these were formal institutional solutions to management and leadership problems, even if they were never written down in constitutions and the like. Today the details of the problems have changed and the institutional solutions may be different, but the fundamental issue—how to create an environment in which investors, including tribal members, feel secure—is essentially the same.

By developing institutional solutions that can effectively solve problems and that fit each tribe's cultural standards, tribes can create an environment in which development has the support of the institutions themselves and is less dependent simply on the quality of the people currently in office. In doing so, tribes in fact increase their power: the power to attract investment, to pursue distinctive tribal goals, and to exercise their sovereignty in meaningful ways.

C. CHOOSING EFFECTIVE DEVELOPMENT STRATEGIES

Once armed with effective institutions of self-government, the strategic decision-making that tribes must engage in takes two primary forms. First, it is most prominently tribal governments that make key decisions regarding such matters as the extent of public and private ownership on the reservation, the type and form of business law, regulation and taxation, and the provision of basic social services such as education and law enforcement. These decisions constitute a tribe's economic development policy and establish its basic *economic system*.

Second, as a primary arbitrator of public opinion, it falls on tribal government to make and implement key choices regarding investment of a reservation's land, water, and environmental resources: Should we offer this lease to a non-Indian manufacturer? Should we turn that mountain into a ski resort? Is a gambling casino right for this tribe? Should we offer commercial hunting of our wildlife? and so on. In

answering these kinds of questions, whether thoughtfully or by default, tribal government controls a reservation's economic *development activity*.

A tribe's choices over economic system and development activity are *strategic* choices in the sense that they determine the overall kind of development that the reservation will try to initiate and sustain. They set the development direction for the tribe.

1. ECONOMIC SYSTEM

The kinds of institutions we have described—constitutions, courts, capable bureaucracies, management boards—provide a base on which to build toward successful development. But what kind of development policy should these institutions support? What kind of economic system should a tribe adopt? Who should be the primary actors on the development stage?

Four major models are emerging in Indian Country in answer to these questions. The critical issue is: How well does each model fit the particular set of internal and external conditions (of the type presented in Table 2) that a tribe faces?

(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 sovereignty and the institutions needed to back it up. The federal control model typically means that the BIA is the real decision-maker when it comes to deciding what investments to undertake and what activities to pursue. It also means the BIA usually has to pick up the pieces when enterprises fail. In fact, this is what makes it occasionally attractive to tribes.

Federal control can also be attractive to tribes because of the immediacy of their needs for income and employment. In the case of a relatively small tribe such as the Hualapai of Arizona (population just over 1,000), federal projects and monies may be enough to employ a large fraction of the tribe. But the result is that the Hualapai are unusually dependent on government employment; according to the last available United States census data (1980), 89 percent of the civilian jobs at Hualapai are in the public sector. 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 typically unproductive in economic terms: The historical lack of progress in reservation economies is in part at least a direct consequence of nontribal control. This is true at both the level of individual programs and of tribes' overall development efforts. At the program level, for example, Matthew Krepps reports in his chapter in this volume that shifting 10 percent of the forestry labor force from BIA control to tribal control under Public Law 638 could increase the average timber tribe's revenues by \$60,000 per year. Shifting from the current average level of tribal control (about 20–40 percent) of the workforce to total tribal control could increase the productivity of reservation forests by as much as 45 percent. At the overall tribal level, the history of sustained development at White Mountain Apache, Flathead, Mescalero, Mississippi Choctaw, Passamaquoddy, and Cochiti can be traced directly to, among other things, the emergence of non-BIA leadership able and willing to take real control of tribal economic affairs.²⁶

The story of the White Mountain Apaches is representative. As on many reservations, for decades the BIA was, in effect, the reservation government. The local BIA superintendent routinely sat beside the tribal chairman during tribal council meetings, and the council looked to the superintendent for direction on the most important decisions. The sale, lease, and disposal of tribal resources was largely in the hands of federal officials. The impressive recent development history of White Mountain Apache had its beginnings in the late 1960s when the tribe took control of its own affairs, excluded the BIA superintendent from council meetings, and precipitated an armed showdown in which the tribe took control of important reservation land leases away from the federal government.

The federal government itself has begun to push tribes away from the federal control model. The transfer of economic control to tribes (through, for example, Public Law 638 contracting) is paying net positive dividends.²⁷ The BIA has launched a tribal self-governance project intended to transfer virtually all former BIA management functions to tribes under what amounts to a block grant to tribal

governments. A block grant approach to federal assistance is a much needed step in Indian affairs, replacing federal determination of what types of projects tribes should pursue with tribal determination, backed by federal investment. Systematic block grants to tribes would allow tribal control without pulling the plug on assistance dollars. Block grants of base funding would allow tribes to stabilize their own tribal bureaucracies and the provision of basic infrastructure and government services. They also would promote better decision-making by bringing the opportunity costs of tribal government actions to bear more directly on tribal politicians. A dollar from the block grant spent on, for example, hiring more administrative personnel would mean one less dollar available to invest in the tribal forest. When the grants that tribes pursue are program specific (a housing grant, a capital investment grant, etc.), this discipline is weakened.

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

On the other hand, both inside and outside Indian Country, it is difficult to make government ownership of business work. Two basic problems stand out. First is the problem of motivating top management. Under private ownership, business profits go to stockholders who, in turn, can pay high salaries and bonuses to hardworking and successful managers. While it is hardly uncommon in various parts of the world for government officials to enrich themselves through the management of government-owned businesses, this has more often happened through corruption than rewards for honest labor. It generally has not been politically acceptable for government officials to gain significantly off the operations of businesses that are, in effect, publicly owned. Second, government ownership makes the necessary separation of politics from day-to-day business management, discussed above, difficult to achieve.

These problems can be solved. As far as tribally owned businesses are concerned, the voting-age members of a tribe are the effective stockholders in tribal enterprises. For most tribes, the number of these

stockholders is small (compared to the number of stockholders in a major corporation), and the access to tribal politicians is notably personal. As a result, tribal politicians can be made to feel the heat and become motivated to serve stockholders' interests. Generously compensating top management so as to keep motivation high between elections, on the other hand, can be more difficult, particularly in tribes where cultural values fail to support a system in which individual members, even those with top management responsibility, can get personally wealthy off of tribal resources. When top management and a high level of motivation can only be had at a high price, some tribes have solved this problem by turning to nontribal members (Indian or non-Indian) to fill key positions.

But the number one problem for tribal enterprises is separating politics from day-to-day business affairs. As we look at cases where tribal ownership of enterprises appears to work well, we find that at least one of two conditions usually has been met. Either the tribe has set up independent boards (of the kind described above) to manage tribal enterprises, and/or the tribe has a strong chief executive form of government.

Independent management boards, as noted above, insulate top management decisions from political pressure. They also provide cover for tribal leaders, who are frequently under pressure from constituents to redistribute tribal resources such as jobs and profits. It is much easier for a tribal leader to resist such pressures, particularly those that involve direct kinship relations, if he or she is prevented constitutionally from compliance. For example: "I can't help you get a job at the tribe's factory because I'm a tribal council member, not a manager at the factory, and have no control over hiring. You'll have to apply at the personnel office along with everyone else."

The strong chief executive fits tribal ownership best because it concentrates accountability and streamlines decision-making. In Indian Country as elsewhere, decision-making by committee, whether of a relatively few persons (as in a parliamentary council) or by literally hundreds or even thousands (as in the general council) is a poor way to run an enterprise on a day-to-day basis.

Of course neither the strong chief executive form of government nor independent management boards guarantee that tribally owned

businesses will be either free of politics (or successful as businesses). These governing institutions have to have the support of the “stockholders.” They have to be backed up by cultural standards that make them legitimate in the eyes of the people; otherwise, they are as likely as any others to be corrupted over time.

What cultural standards would make a tribe a good candidate for tribal ownership of enterprises and for the institutions that are needed to make it work? It appears that one requirement is support for centralized forms of political authority. Is the typical tribal member’s primary loyalty to the tribe? Or is it to some subdivision within the tribe, such as a local community, a district organization, or a clan? The difference appears to be part of the explanation for why tribal ownership has been relatively more successful at Cochiti, White Mountain Apache, Mescalero, and Muckleshoot, and relatively less successful at San Carlos Apache, Pine Ridge, and Rosebud. The contrast between San Carlos on the one hand and Mescalero and White Mountain Apache on the other illustrates the point. It is striking how the central tribal government and, in particular, the tribal chair, appear to represent focal points and even embodiments of Apache ideals and identity at Mescalero and White Mountain Apache. In contrast, at San Carlos a history of tribal mixing and of extreme military and administrative subjugation by federal authorities appears to have resulted in much less cohesion at the tribal level, and much less success with the tribal enterprise model.²⁸

Further evidence comes from the Pine Ridge and Rosebud Sioux reservations. Both groups show strong adherence to Sioux values that continue to support the long historical traditions of local authority and independence rooted in kinship units (*tiyospayes*) and in the original band-based settlement patterns on these reservations. Despite the fact that the IRA constitutions under which both tribes operate closely parallel the White Mountain and Mescalero constitutions, centralized tribal government is relatively ineffectual for reasons discussed above. This is particularly true when it comes to owning and operating businesses and making decisions about tribal resources. Both tribes are candidates for an economic system based on something other than tribal enterprise.

Even in tribes with strong cultural support for centralized government, the institutions of a strong chief executive and/or independent

management boards have to be seen by the people as legitimate. Independent management boards, for example, require cultural acceptance of the delegation of authority. A tribe in which it is every citizen's right to intervene in every tribal decision, including the business decisions of tribal enterprises, is unlikely to be able to set up and maintain independent management boards. An effective, strong chief executive (tribal chair or president), meanwhile, must have the ability to make tough decisions and the authority to make them stick. This will not happen if his or her right to make such decisions is constantly questioned, or if each decision becomes a political crisis.

Of course, the downside of centralized authority is the risk of corruption, or the possibility that decisions can be turned somehow to the personal benefit of the chief executive. Therefore, an effective chief executive system is one in which the office carries a great deal of authority to make decisions *that are in the interests of the tribe's citizens*, but no authority to make decisions that only promote the executive's interests. This kind of cultural "contract" between citizens and leaders holds the chief executive to a high standard: lots of power, but power that is easily lost at the first sign of corruption or pettiness.

(3) *Private (Micro) Enterprise with Tribal Member Ownership.* This strategy sets up an economic system based on the individual, family, or small group entrepreneurship of tribal members. In the face of the scarcity of capital in Indian hands, it envisions a reservation economy consisting primarily of small businesses ("microenterprises") that are started, owned, and operated as private businesses, serving either local or export markets, or both. A reservation microenterprise system looks a great deal like the economy of much of the rural and small town United States, other than large-scale agriculture. It recognizes that raising large amounts of capital is inconsistent with the generally low levels of savings in Indian Country and with the generally poor track record in borrowing funds for reservation business. It calls on the marketplace to provide motivation and accountability to private tribal members.

The microenterprise strategy is particularly appropriate where cultural norms support individual accumulations of at least modest wealth; where individual achievement is honored and not cause for personal rejection; where there is cultural resistance to the importation

of nonmember management that might otherwise be needed, at least for a time, to run large enterprises; where larger businesses that require “bosses and workers” hierarchies are incompatible with cultural standards regarding who can tell whom what to do; and where people’s political allegiances may not be fixed on central tribal authorities.

Microenterprise is best suited to retail services and small-scale manufacturing. It is generally not well suited to situations in which the primary economic opportunities are in such natural resource areas as mining, forestry (except for small-scale cutting), and even much of agriculture (where competition increasingly demands large-scale enterprises). Recent work by organizations such as the First Nations Financial Project and the Seventh Generation Fund suggest that economic systems based primarily on private microenterprises are well suited to certain reservations. An example is Pine Ridge, where the lack of support for a powerful centralized government hinders tribal enterprise, and where research indicates that entrepreneurial and other productive talents are exercised extensively in the informal sector of the economy, including both money and barter transactions. According to a 1988 study, despite reported unemployment rates on the order of 70 percent, as of 1987, 83 percent of Pine Ridge reservation households participated in the “self-initiated, home-based . . . income-generating” activities of the informal sector; 30 percent of households received more than half of their income from the informal sector; and 24 percent of the median household income at Pine Ridge came from the informal sector.²⁹

Of course, even in hospitable cultural settings, an economic system based on private microenterprise depends on political institutions capable of protecting investors and entrepreneurs from political interference with their capital commitments, and capable of enforcing workable business codes and the law of contract. Without courts and judges—or some effective equivalent—that can resolve disputes in ways that keep the rules of the game stable and free of politics, investors will refuse to launch enterprises. It is no accident that the reservation in our sample that probably has the most successful formal private sector of microenterprises—Flathead—is also the reservation with arguably the most fully developed, independent, and professional judicial system. At the same time, it is no accident that the tribal judge at San Carlos

Apache reports (as of 1990) being suspended more than a dozen times by the tribal council in preceding years, and even tribal-member microenterprise efforts commonly migrate to towns just outside the reservation.

(4) *Private Enterprise with Nontribal Member Control*. This model involves the promotion of non-Indian businesses on Indian lands, and/or the management of Indian resources by non-Indian companies, usually through joint ventures or royalty arrangements. 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 enterprises to the reservation. In recent years the Navajo, for example, have vigorously pursued this strategy, while the Rosebud Sioux have had an office dedicated to finding outside businesses willing to locate on the reservation.

This strategy is most commonly used in the manufacturing and resource processing sectors, involving large-scale investment projects with workers organized in a factory setting. Culturally, an economic system based largely on big private investment is best suited to a tribe whose self-confidence and cultural standards can support extended cooperation with outsiders, and in which hierarchical "bosses and workers" systems are not seen as personally demeaning by tribal workers.³⁰

Encouraging the non-Indian private investor to come to the reservation offers a solution to the often pressing problems of access to financial and human capital. On the other hand, it brings onto the reservation significant outside actors whose interests and culture may diverge radically from those of the tribe. Whether or not this is seen as a threat to a tribe's political and/or social sovereignty depends in part on the strength of the tribe's formal and informal institutions of social control. A tribe with capable institutions, able to solve the tasks of governance discussed above, is less likely to have its economic and social systems upset by a large outside business investor or partner. For example, a tribe with an effective land-use policy and bureaucracy is less likely to be taken to the cleaners by a real estate developer. A tribe with a constitution that fits with its own cultural standards of authority

and legitimacy will be better able to weather changing tribal administrations or an instance of corruption without ruining its reputation in the eyes of investors. Tribal members will be more likely to stand by tribal institutions in a crisis if they view those institutions as culturally legitimate.

The pursuit of economic development, particularly when it involves large outside investors, is often debated in terms of modern or mainstream versus traditional or tribal values. To the extent that these terms reflect fears that development will destroy a tribe's culture or change reservation life in ways that destroy the society, they frequently miscast the choices tribes face. Every society faces pressures to change, from the Detroit auto workers concerned that they will have to behave more like Japanese in order to compete, to the South Dakota farmers trying to keep pace with technology that alters the ways they learned to farm.

At least in Indian Country, the extent to which pressures of this kind are socially destructive or constructive appears to depend on the degree to which tribes themselves control the ways they adapt. In some cases, as at Muckleshoot and Passamaquoddy, the combination of large-scale investment by outsiders and vigorous assertions of control by tribes themselves appears to have been a force bringing tribal members together with an enhanced sense of cohesion and power. On the other hand, it is certainly the case that the introduction of a large enterprise that directly challenges indigenous cultural standards or tribal objectives can have seriously disruptive effects on the tribal community, while outside enterprises that bring with them large numbers of outsiders may have difficult-to-control impacts on the nature of community life. These possibilities raise major issues in the area of social sovereignty which tribal communities facing such opportunities will have to confront.

As with the private microenterprise strategy, an economic system built on large-scale investment by outsiders requires an institutional structure that assures investors that their investment 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, and it may be a good deal more important. One of the things that makes the Indian situation dramatically different from that of Chicago or Boston,

or Moscow or Manila, 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. The potential impact on employment and income is greater, as is the potential impact on the reservation's reputation with investors. These high stakes mean that both the competition for control of resources and the social costs of the politicization of those resources are much greater as well. Chicago can afford a few politicized contracts and burned investors. Indian tribes cannot. In addition, the potential impact on social sovereignty may be greater for small tribes with few development options, which may risk becoming corporate-appendage economies dependent on a single outside investor for the majority of individual or tribal income.

These four models of tribes' potential economic systems are by no means mutually exclusive. Successful development policies may mix them in combination, or at least in some combination of the last three, although one or another is typically dominant. The right choices for tribes must be driven by the kinds of internal and external factors that we have discussed near the beginning of this chapter (see Table 2). Tribes have to find the economic system and accompanying institutions of self-government that match both their respective cultures and the resource and opportunity situations they face. Tribes differ a great deal in these dimensions, and one tribe's answer is certainly not guaranteed to work for another. Just because tribal ownership, for example, has worked relatively well for Mescalero does not mean it will work for Rosebud Sioux; just because Flathead has pursued development of the private sector does not mean the same will work for Crow.

Finally, it is clear that the crucial choices must be made by tribes themselves. The central role played by culture in either supporting or undermining tribal institutions leaves no alternative. The problem of getting a good fit among economic system, governing institutions, and cultural standards will not be solved in Washington, by professors or consultants, or even by other tribes. The problem will be solved by tribal leaders and members who understand the linkages among these things and can invent their own solutions.

TABLE 5
Critical Ingredients for Success
In Selected Development Activities

	Large-scale manufacturing	Small-scale manufacturing	Retail and service	Tourism	Natural Resource Extraction
Governance: Third-party dispute resolution	X	X	X	X	X
Governance: Separating politics from day-to-day biz management	X	X	X	X	X
Assets: High natural resource endowment				X	X
Assets: Skilled and experienced workforce	X	X			
Assets: Access to major financial capital	X				X
Assets: Near markets and/or low transportation costs	X	X			
Cultural: Receptivity to workers/bosses hierarchies	X				X
Cultural: Receptivity to interaction with non-members	X			X	
Cultural: Receptivity to commercialization				X	X
Cultural: Tribe as a whole is primary locus of identity/loyalty	X				X

2. DEVELOPMENT ACTIVITY

Many American Indian tribes face a barrage of ideas, proposals, offers, and enticements—some from within the tribe, many from outside it—aimed at establishing specific development or investment projects on the reservation. These projects range from chopstick factories to gambling casinos, from hazardous waste facilities to resort hotels. The reasons behind such suggestions and invitations vary from efforts by tribal members to bring jobs onto the reservation, to legitimate outside investor interest in the labor, tax, and regulatory advantages that many reservations can supply, to disreputable attempts to capitalize on tribal inexperience or desperation.

The challenge for both tribal decision-makers and individual tribal members is to separate the good from the bad opportunities, the solid prospects from the boondoggles, the likely successes from the probable failures. As we have stressed, tribal government has the necessary task of laying in place the environment in which wise and productive decisions can be made. It does this with its basic governmental (constitutional) form, its judicial institutions (see Andrea Skari's volume in this chapter), its regulatory institutions (see Paul Nissenbaum and Paul Shadle's chapter), and its economic policies (see preceding sections of this chapter, as well as Michael Cameron's chapter). But, given these institutions, tribes and individuals ultimately have to face very specific choices regarding the allocation of workers, resources, and capital: Should we invest in a carpet factory? Should we open a mine? Should we allow gaming? Should we encourage tourism or the commercial hunting of our wildlife?

Making choices of these kinds—and making them so that the resultant development activities are successful—requires basic technical and business skills: reading a balance sheet, understanding market conditions of supply and demand, interpreting risk and return trade-offs, and so on. In fact, numerous training efforts have been undertaken to increase management skills in Indian Country, and continued and enhanced efforts will be needed in the future.³¹

While basic management skills are certainly necessary, the success of tribal development activities depends also upon the *strategic* skills of decision-makers. Picking “winners” is crucially dependent on these

skills. The heart of the strategic problem is the appropriate matching of particular development activities and projects to the governance capabilities, asset endowments, and cultural attributes of the tribe.

Table 5 presents some general patterns in this matching of activities to critical ingredients for success. The list of ingredients shown down the lefthand side of the table is not exhaustive; other factors may be important in various situations. Similarly, the list of development activities across the top of the table is hardly complete, and is intended simply to illustrate some of the opportunities many tribes face. The point of the table is to indicate which ingredients are especially important to which development activities. A check mark in the table indicates that this particular ingredient is especially important to the success of this particular activity. The table should not be interpreted to mean that unchecked ingredients are not supportive of success, but only that the checked ingredient is often found to be critical in Indian Country. Thus, for example, having a highly experienced and skilled workforce is a significant “plus” for any kind of development activity. Nevertheless, such a workforce is almost always especially needed in either large or small-scale manufacturing. These are sectors in which national and international competition increasingly penalizes low-skill workers and businesses. Except in instances in which a tribe has an especially hard-to-duplicate niche in the market, a tribe pursuing manufacturing activities cannot expect to insulate itself from the need for a skilled workforce. Certainly the experience on reservations such as Mississippi Choctaw and Passamaquoddy demonstrates that a skilled reservation workforce can compete successfully in the manufacturing sector.³²

As we have emphasized, capable institutions of governance are necessary for any sustained, successful development. This is reiterated in the top rows of Table 5. In addition, success in certain development activities depends on the particular assets of the reservation and their economic value. For example, success in natural resource activities, such as agriculture and mining, obviously requires *both* endowments of harvestable or extractable resources *and* the market demand that makes those resources valuable. It makes no sense to undertake aquaculture in the desert or a new coal mine in a glutted energy market (although outside investors hoping to capture public loan and grant monies

continue to propose precisely such projects to various tribes).

Activities such as large-scale manufacturing and natural resource development also commonly require access to large amounts of financial capital. Money must be available to pay workers and buy materials during the construction and development phases of production in these sectors. Even in the case of agriculture, competition in the market for most crops compels large-scale operations and capital investment in order to achieve sustained success. This premium on access to capital is less pronounced in most retail, service, small-scale manufacturing, and tourism (except major resort) enterprises.

Being close to markets or low cost transportation facilities is particularly important in manufacturing. Proximity to the marketplace holds down the delivered prices of reservation-produced goods. In the case of natural resources, nearness to the marketplace can be important for success, but most natural resource use and extraction takes place in a rural setting, and nonreservation competitors face transportation problems similar to those of tribes.

“Success” in development activities does not mean solely jobs and income. The fact that American Indian tribes, like other societies, have goals of political and social sovereignty means that development success must also be assessed in political and cultural terms: Will this project bring large numbers of non-Indians onto the reservation who may challenge tribal sovereignty? Is this project going to introduce social or political strife among tribal members? Is factory work going to appeal to our young people? Would building that road up to the mine damage important religious sites? Will tribal members object to non-Indian hunters roaming the wilderness areas of the reservation?

Table 5 lists four cultural attributes—there may well be more—that frequently have implications for development choices. For example, because of their nature, large-scale manufacturing and resource development enterprises typically require (relatively) hierarchical, workers-and-bosses management structures. The larger the enterprise, the more likely it is that the necessities of specialization and coordination will require some people to tell other people what to do. Notwithstanding mass media stereotyping of American Indian societies as uniformly communal and nonhierarchical, the multitude of tribes that make up Indian Country differ a great deal from one another in this regard.

Reservation societies that are not particularly receptive to workplace hierarchies are poor candidates for large-scale manufacturing and resource enterprises. Such societies are more likely, all else equal, to be able to successfully develop small-scale manufacturing, retail and service businesses, and tourism service activities.

Another cultural attribute affecting whether particular development activities are appropriate to a tribe is receptivity to interaction with nonmembers. Members of one tribe, for example, may be reluctant to expose their religious or social practices to tourists. Another tribe may see this as a welcome economic opportunity. Again, despite common stereotyping, neither of these tribes is more or less "Indian." They simply have different understandings of what is culturally appropriate for them. Such a difference has to be taken into account in decisions regarding the promotion of tourism. In a case where (many) tribal members are fundamentally unreceptive to interaction with tourists or to tourist demands for access to ceremonial activity, and at the same time tribal leaders or individuals aggressively undertake tourism development, the result is likely to be not only social strife but, eventually, a failed tourism enterprise.

Similar issues of interaction with nonmembers arise frequently in large-scale manufacturing undertakings. The large amounts of capital needed in such activities and the needs of high-skill labor often force tribes to turn to nonmembers for assistance. Joint ventures with large private corporations, for example, can provide access to capital, and high-skill labor (including senior management) can be imported from off the reservation. Such relationships, however, increase the affected tribe's interaction with nonmembers, and may place nonmembers in positions of power in certain reservation activities. Some tribes have been receptive to these sorts of relationships and have taken advantage of them to gain access to skills and capital resources not otherwise available to the tribe; other tribes have chosen not to. Where a tribe is unreceptive, going ahead with such interaction may lead to community discord, poor worker performance, and evaporating support for large-scale manufacturing on the reservation.

Perhaps no development activity provokes as much controversy today as the commercial development of natural and cultural resources. Receptivity to the commercialization of tribal resources is particularly

necessary for development activities in the tourism and natural resource sectors. This is true not only in Indian Country but outside it as well. Changing the face of a mountain to build a ski resort, advertising to attract tourists, harvesting wildlife, strip-mining the reservation—these kinds of development activities are controversial because they force the society to confront trade-offs between economic development and cultural values. The White Mountain Apaches, for example, receive substantial tribal income from commercial hunting of their wildlife. These hunts seem to fit comfortably with Apache concepts of proper resource use (which appear to attach high cultural value to particular places, relative to the things found in those places³³). Yakima, on the other hand, has rejected the commercial hunting of big game on the reservation, in part because it does not fit with Yakima cultural standards of proper use of the habitat where their harvestable game is found or of the wildlife resource itself.

American Indian societies also differ markedly among themselves in the degree to which tribal members' primary source of identity and loyalty is the tribe as a whole, as opposed to subtribal organizations such as clans, bands, or other units, usually kinship based, within the tribe. Subtribal identity and loyalty appear to be most pronounced where the tribal unit has been made to include within a single political authority previously autonomous units such as villages (e.g., Hopi) or bands (e.g., the Oglala Sioux at Pine Ridge), or where historically separate and even hostile groups were forced to share a reservation (e.g., the Shoshone and Arapahoe at Wind River in Wyoming). On the other hand, some groups have proven adept at overcoming such divisions to create relatively united communities (e.g., the Confederated Tribes of the Warm Springs Reservation in Oregon, or the Confederated Salish and Kootenai Tribes of the Flathead Reservation).

Strong subtribal identities and loyalties can cause problems for some types of development activities. Large-scale manufacturing and major natural resource development (such as the operation of a sawmill or a mine), for example, often involve the concentration of a lot of a tribe's "eggs" in a single "basket." Given population size and economic conditions on most reservations, the chances are good that a major mine or factory will be the primary employer and income source—in some cases, virtually the only one outside tribal government—on the reser-

vation. This highly concentrated form of development can encounter difficulty where members' loyalties and identities are dispersed among a number of subtribal units. First, tribal government may have difficulty mobilizing and sustaining support for development strategies in which power and responsibility are concentrated in the hands of the tribal government itself, as is usually the case with large-scale development activities. Second, in such situations these activities tend to become the focus of intratribal politics as subtribal units compete for control over enterprise activity and its benefits. Tribal dealings with the big mine or factory—whether Indian-owned and operated or not—on matters such as taxation, employment, land use, and production levels are likely to be especially unstable. Politicians lose the support necessary to negotiate from strength, the tribe fails to follow through on commitments, and investments deteriorate.

Thus, for example, the relatively poor track record of the Sioux in pursuing large-scale enterprises (particularly tribally owned enterprises), as compared to the Choctaws or the Apaches, may be due to the historic and enduring importance of subtribal allegiances in Sioux society (see the discussion in Section III.B.1 above). This does not mean that the Sioux cannot successfully pursue economic development. Rather, as suggested by Table 5, culturally appropriate development activities are more likely to lie, other things equal, in small-scale and localized manufacturing, retail and service businesses, and tourism.

Of course, knowing whether people identify primarily with the tribe or with a subtribal unit, or whether a society is or is not receptive to such attributes of development activity as workplace hierarchies, or commercialization of natural resources, or interaction with nonmembers, is not easy. Cultural characteristics are subtle, dynamic, and often in turmoil both within and across the members of a society. In some contexts, worker/boss relations may be perfectly acceptable to younger employees and unacceptable to older ones—or the reverse. In another context they may be seen as unworkable by the entire group. Commercialization of one portion of a reservation's forest may be noncontroversial, while logging activity in an adjacent area may be abhorrent to most of the population. Warm Springs vigorously pursues the development of a spa on one portion of the reservation, and turns down the

development of a ski resort on another, without in any way being inconsistent: The tribe is simply pursuing what it sees as the appropriate uses of its various resources. Northern Cheyenne, on the other hand, finds itself deeply divided over the opportunity to mine its coal resources, with some tribal members urging the tribe to go forward and others viewing strip-mining as culturally unacceptable.³⁴

None of this is to say that there is an inherent conflict between economic development and social sovereignty. Although the hard data is scarce, field experience suggests that strong assertions of sovereignty, supported by tribal government policies and institutions capable of backing up that sovereignty, have reinvigorated tribal identities on reservations such as Mississippi Choctaw, Mescalero Apache, White Mountain Apache, and Cochiti. It even appears that in some cases, tribally controlled development may be accompanied by such phenomena as a resurgence of indigenous language and reductions in reservation crime.

Resolving conflicts surrounding the cultural appropriateness of various economic activities is not a problem unique to Indian Country, nor is it a problem new to contemporary tribes, many of whom have had to manage such disputes ever since Europeans arrived in North America—and probably long before. We return to our central theme: effectively resolving conflicts over development activities today requires capable governmental and nongovernmental social institutions. If these institutions are not able to lay in place an environment in which conflicts can be resolved and productive investments in the future can be made, reservation economic development—of whatever kind—will be impeded. On the other hand, once those institutions are in place, then the choices tribes make over development activities will have a much greater chance of leading to sustainable—and culturally appropriate—development.

IV. IMPLICATIONS FOR POLICY

There are no quick solutions to the problem of economic underdevelopment in Indian Country. There also are no uncomplicated solutions. Successful and sustained economic development requires many ingre-

dients—capital, skills, resources, stable institutions, and attractive market opportunities, to name a few. It also requires informed, thoughtful policymaking. Most of this chapter has been about the sorts of policy decisions that tribes face. But what about policy at the federal and state levels? What does the evidence indicate about how policy at those levels can help get reservation development underway?

We believe the available evidence clearly demonstrates that tribal sovereignty is a necessary prerequisite of reservation economic development. Each present instance of substantial and sustained economic development in Indian Country is accompanied by a transfer of primary decision-making control to tribal hands and away from federal and state authorities. Sovereignty brings accountability and allows “success” to be properly defined to include Indians’ goals of political and social well-being along with economic well-being. Decades of control over reservation economic resources and affairs by federal and state authorities did not work to put reservation economies on their feet.

This conclusion does not imply that tribal-federal/state relations are or should be hostile or uncooperative. In fact, the federal government in particular has made a number of encouraging efforts to enhance tribal control over economic affairs. Public Law 638, which enables

tribal contracting of otherwise federal services; the Indian Gaming Act, which codifies tribal authority over certain activities; and BIA efforts such as the “Self-Governance Project” are examples of steps in the right direction. The objective of federal and state policy should be to enhance tribal sovereignty over economic matters, with federal and state efforts aimed at support and technical assistance. In the role of consultant, federal and state governments need not always devolve back to the role of decision-maker.

The vast bulk of federal and state assistance to Indian tribes comes in the form of program-specific expenditures: health, education, infrastructure investment, loan and grant programs, direct general income assistance, and so forth. Capable tribal governments should be granted “Super 638” powers to elect to receive most of that assistance in the form of no-strings block grants, much in the way that the states now relate to the federal government. Criteria for eligibility should shift the burden of proof away from the tribe by presuming eligibility upon the tribe’s request, unless it can be shown that the tribe is incapable of self-management of its block grant.

Sovereignty has many dimensions, from taxation and resource control to civil rights and child welfare.³⁵ Our research is confined to the economic sphere. Within that sphere, we believe the evidence on development success and failure supports the conclusion that tribal sovereignty over economic affairs should be founded upon a government-to-government relationship between Indian nations and the United States. This means tribal preeminence in taxation and business regulatory policy, as well as in land, water and resource use, and environmental policy. Split or shared jurisdiction, as under the Indian Gaming Act, does not go far enough.

One of the consequences of enhanced tribal sovereignty in the economic arena is likely to be greater variation in the economic conditions prevailing across reservations. There will be successes—and there will be failures. American Indian tribes are no more guaranteed than other developing countries that self-government will quickly and unfailingly produce dramatic improvements in economic, political, and social well-being.

The prospect of failure raises difficult policy and jurisdictional issues: Under the federal trust doctrine (under which Indian reserva-

tions are managed by the federal government in the role of trustee), does the federal government have the responsibility to bail out tribes that stumble as sovereigns? We believe that an appropriate long-range objective of federal policy should be to empower tribes with the information and decision-making apparatus by which they might knowingly and voluntarily elect to waive explicitly the federal trust responsibility upon the assertion of sovereignty powers (e.g., over the use of current trust funds, natural resource development, or environmental regulations). This would undoubtedly expose tribes to risks. But sovereignty without such risks is a contradiction in terms.

V. CONCLUSION

Three things emerge as crucial pieces in the development puzzle. The first is sovereignty. Perhaps the greatest development asset Indian nations possess is sovereignty: the power to make decisions about their own futures. It is a tenuous power, dependent on the good will of Congress, the unpredictabilities of the courts, and, ultimately, the support of the public. But it is a key to economic development.

The second is institutions. Sovereignty alone is hardly sufficient for overcoming the immense problems tribes today face. Our research clearly indicates that, in the development arena, the single factor that most clearly differentiates “successful” tribes from “unsuccessful” ones is their ability to *effectively exercise* their sovereignty, to turn it from a legal condition or rhetorical claim into a practical tool for nation-building.

Institutions are key to that transition. But the transition is difficult. It requires, in many cases, institutional innovation. It requires the development of governing institutions that can pass two tests. The first is the test of *adequacy*: The institutions themselves have to be effective at solving the problems of managing sovereign societies. The second is the test of *appropriateness*: In order to be fully effective, tribal institutions not only have to be designed to work in the abstract; they have to fit the informal institutions—the culturally derived norms and preferred ways of doing things—of the tribal community.

The third factor is development strategy: choosing the economic

policies and the specific development projects to pursue. Here again, adequacy and appropriateness matter. On the one hand, development strategies have to confront the realities of the external market and of the internal natural, human, and capital resource assets of the tribe. On the other hand, both overall economic policies and the selection of development projects have to pay attention to the culturally derived norms and preferences of the community.

Tribes that pay adequate attention to these issues can overcome, to some degree at least, significant disadvantages in other areas such as natural resources, workforce experience, or location. At the same time, tribes that fail to grapple effectively with these issues are less likely to be able to turn certain advantages, such as market access or significant resource endowments, into sustainable development.

The odds against successful economic development in Indian Country are high. On the basis of our research, however, we believe it is possible for Indian tribes to reload the dice, and significantly improve their chances in the development gamble.

NOTES

1. Brief portions of this chapter appeared in Stephen Cornell and Joseph P. Kalt, "Pathways from Poverty: Economic Development and Institution-Building on American Indian Reservations," *American Indian Culture and Research Journal* 14, no. 1 (1990): 89–125, and in idem, "Culture and Institutions as Public Goods: American Indian Economic Development as a Problem of Collective Action," in *Property Rights and Indian Economies*, ed. Terry Anderson (Lanham, MD: Rowman and Littlefield, 1992).
2. See, for example, the various cases discussed in Robert H. White, *Tribal Assets: The Rebirth of Native America* (New York: Henry Holt, 1990); some of those covered in Sam Stanley, ed., *American Indian Economic Development* (The Hague: Mouton, 1978); and those briefly described in Cornell and Kalt, "Pathways from Poverty."

3. C. Matthew Snipp, "Public Policy Impacts and American Indian Economic Development," in *Public Policy Impacts on American Indian Economic Development*, ed. C. Matthew Snipp, Development Series No. 4 (Albuquerque: Native American Studies, University of New Mexico), p. 16, and Table 2, p. 17.
4. See Stephen Cornell and Joseph P. Kalt, "Where's the Glue? Institutional Bases of American Indian Economic Development," Harvard Project on American Indian Economic Development, Project Report Series, John F. Kennedy School of Government, Harvard University, 1991; also Cornell and Kalt, "Pathways from Poverty."
5. Of course managing the forest itself is considerably more complex and typically requires more sophisticated skills. Some tribes have made themselves expert at this; see the chapter by Matthew Krepps in this volume.
6. For an excellent summary of the legal status of Indian sovereignty, see Joseph W. Singer, "Sovereignty and Property," *Northwestern University Law Review* 86, no. 1 (Fall 1991): 1–56.
7. 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; also Cornell and Kalt, "Where's the Glue?"
8. John W. Meyer and W. Richard Scott, "Centralization and the Legitimacy Problems of Local Government," in idem, *Organizational Environments: Ritual and Rationality* (Beverly Hills: Sage Publications, 1983), especially pp. 200–202.
9. See the discussion in Cornell and Kalt, "Where's the Glue?"
10. On the IRA constitutions, see Graham D. Taylor, *The New Deal and American Indian Tribalism: The Administration of the Indian Reorganization Act, 1934–45* (Lincoln: University of Nebraska Press, 1980), chapter 6; Kenneth R. Philp, *John Collier's Crusade*

for *Indian Reform 1920–1954* (Tucson: University of Arizona Press, 1977), 161–167; and Vine Deloria, Jr., and Clifford Lytle, *The Nations Within: The Past and Present of American Indian Sovereignty* (New York: Pantheon, 1984), 173.

11. See Deloria and Lytle, *The Nations Within*, 172; Philp, *John Collier's Crusade*, 162, 166–67.
12. Deloria and Lytle, *The Nations Within*, 212.
13. There are exceptions, but the basic model is replicated, with minor variations, across a broad spectrum of tribes. See the discussion in Taylor, *New Deal and Tribalism*, 95–98.
14. On indigenous Apache government and leadership, see Harry W. Basehart, “Mescalero Apache Band Organization and Leadership,” in *Apachean Culture History and Ethnology*, ed. Keith H. Basso and Morris E. Opler, Anthropological Papers of the University of Arizona, no. 21 (Tucson: University of Arizona Press, 1971), pp. 43–47; Keith H. Basso, *The Cibecue Apache* (New York: Holt, Rinehart and Winston, 1970), pp. 5–9; Morris E. Opler, “An Outline of Chiricahua Apache Social Organization,” in *Social Anthropology of North American Tribes*, ed. Fred Eggan, enlarged edition (Chicago: University of Chicago Press, 1955), especially pp. 233–35; and D. C. Cole, *The Chiricahua Apache, 1846–1876: From Warfare to Reservation* (Albuquerque: University of New Mexico Press, 1988), pp. 27–32. On the meaning of the Apache term for leader we are indebted to Mr. Edgar Perry of the White Mountain Apache Tribe, in conversation.
15. What remains unexplained in the Apache cases is the successful transition several Apache groups appear to have made from band or subtribal to tribal allegiance and identity. However, the pattern is not entirely consistent: the San Carlos Apaches appear to have had more difficulty making this transition than either the Mescalero or the White Mountain Apaches, perhaps in part because of a more heterogeneous mixing of Apache peoples at San Carlos when the reservation first was established. For some discussion see Stephen Cornell and Marta 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, 1992.

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