

**DETERMINANTS OF DEVELOPMENT SUCCESS
IN THE
NATIVE NATIONS OF THE UNITED STATES**

*An Introduction to the Research Findings
of the*

[Harvard Project on American Indian Economic Development](#)

*Harvard Kennedy School of Government, Harvard University
and the*

[Native Nations Institute for Leadership, Management, and Policy](#)

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Online version with links to the cited research available at:

nni.arizona.edu/research_intro_english

INTRODUCTION

The poverty of indigenous North Americans, especially those living on reservations, has concerned Indian and federal policymakers for more than a century. After the treaty-making phase and the establishment of the reservation system, federal policies to address Native poverty vacillated between cultural assimilation, forced urbanization, and asset privatization, on the one hand, and governmental reorganization, natural resource exploitation, and welfare assistance, on the other. None of this experimentation brought American Indians to parity with the rest of the United States. American Indians and Alaska Natives have been the poorest category of Americans for decades.

Recently, however, many resurgent Native nations have created economic growth and accompanying political and social development in their homelands. For the first time, the incomes of Indians on reservations rose faster than the American average without an accompanying rise in federal spending. In the 1970s and 1980s, Indian incomes rose and fell as federal program budgets for Indian Country increased and then decreased. By contrast in the 1990s, federal spending on Indian programs did not change much, but Indian incomes rose, both on reservations with casinos and without. The pace of average income growth on the reservations exceeded the US growth in per capita income by a factor of three.

What explains this welcome improvement? Research begun in the 1980s and continuing to the present examines the variation in outcomes across tribes and uncovers the strategies Native nations have used for success. Whereas many Native and federal policymakers treated the problem of poverty as a question of creating employment, projects designed to create employment usually resulted in failure because they addressed symptoms not root causes. By contrast, successful Native nations address the underlying challenge: they create conditions that allow the accumulation of physical, financial, and human capital.

In the past, Native nations governed themselves with unsuitable rules—often imposed from the outside and unconnected to indigenous norms of organizing authority. Political uncertainty ensued, dissipating talent, eroding confidence, and scaring away people—Native and non-Native—who might otherwise improve the fortunes of the community. Successful Native nations took control of their internal affairs and channeled politics in ways that encouraged return migration, financial investment, and economic growth.

Today some Native nations create conditions even more attractive than in the states around them. There is a recurring traffic jam of non-Indian employees going to work on the Mississippi Choctaw Reservation. Non-Indian citizens of Montana regularly enroll in Salish and Kootenai College. The State of Minnesota emulates the foster care program created by the Fond du Lac Band of Chippewa Indians. National accreditors rank the substance abuse program of the Squaxin Island Tribe in the top three-percent of programs in the United States. In case after case, Native nations built adept governments, recruited talented people and investors, and benefited themselves and non-Native taxpayers and neighbors.

Much still needs to be done. Indians living on reservations earned incomes little more than one-third the US average in 2000. As welcome as the growth of the 1990s was, it would take half a century for that trend to close the gap. Despite the difficult road ahead, Native nations in the United States have found successful approaches, and their fortunes have never looked better.

RESEARCH FINDINGS

Native nations in the United States prepare a fertile environment for development by taking charge and by channeling internal political forces over the long term. Indeed, one of the paradoxical findings of the research by the Harvard Project on American Indian Economic Development and the Native Nations Institute is that Native leaders make their nations more powerful by binding their own hands themselves. By restricting their own powers to intervene at whim in a contract dispute, an enterprise firing, or a school program, Native political leaders make their nations more attractive to the Native citizen with a college degree, the Native entrepreneur, or the non-Native teacher. These investors become more confident that they will be treated fairly—that their time, experience, and money will not be hostage to politics—and they become more willing to bet on the future of the nation.

To be specific, successful Native nations share three essential characteristics: 1) they assert the Nation's powers of self-rule; 2) they build strong institutions of self-government to backup those powers; and 3) they root their development efforts and institutions in Native culture.

1. Successful Native nations control their own affairs. They assert the power to make core decisions about resources, policy, and institutions. Lack of control in these domains soon traps Indian nations in dependent poverty. The research is clear: outsiders perform poorly when managing Native resources, designing Native policy, and creating Native governing institutions—no matter how well-meaning or

competent they may be. When Native communities take control of their assets, programs, and governments they obtain higher prices for their commodities, more efficient and sustainable use of their forests, better programs for their health care, greater profitability from their enterprises, and greater return migration. The reasons are straightforward. The decision makers are more likely to experience the consequences of good and bad decisions. They are closer to local conditions. And they are more likely to have the community's unique interests at heart. When Native nations manage their own forest resources, both productivity and profits rise, and so do the chances that management reflects community priorities.

2. Successful Native nations establish long-lived institutions that limit political opportunism and administer the practical business of the community effectively. Without effective institutions, asserting the powers of self-government means little. The United States Supreme Court nullified Montana taxes on Indian coal, but the Native nation that won the case took years to pass a tax code and tell the mining company where to send the checks. The powers of self-government come with the burdens of governing effectively.

A formal written constitution may specify the powers of these institutions, but it is not necessary for success. Some traditional southwestern pueblos succeed using traditional, unwritten arrangements. What matters, the research indicates, are three essential functions that these institutions perform:

a. Successful Native nations insulate dispute resolution from political interference. If the political bodies within the Native nation can interpret contracts and laws directly (or indirectly by threatening judges or mediators), they discourage people from bringing their ideas, experience, or investment dollars into the Native community. By contrast, when the Native nation resolves disputes fairly, quickly, and independently of political considerations, investors feel secure and contribute to systematically higher rates of Native employment. Successful dispute resolution does not need to have a European flavor. The Navajo Supreme Court relies upon traditional Navajo common-law to guide its decisions and allows adversarial parties to choose traditional Peacemaker Court.

b. Successful Native nations carefully govern nation-owned enterprises in systems that isolate business managers from political forces yet keep managers accountable to the community for performance. Corporate governance in the private sector has its own challenges: Will managers advance the interests of owners as well as they would themselves? When governments—Native or otherwise—own the business, other considerations (such as employing members of politically strong factions) complicate the challenges further. Successful Native nations in the US recognize the threats to profitability and establish independent boards of directors. Then, critically, they hold those directors to account—for profitability especially, but also for meeting community goals. Business always entails risks, but Native nations improve the odds four-fold by managing business and government effectively. Nation-owned businesses from Alaska (Yukaana Development Corporation) and Nebraska (Ho-Chunk, Inc.) to

New Mexico (Poeh Cultural Center) and Montana (Siyeh Corporation) adopt strong systems of corporate governance and succeed where prior businesses did not.

c. Successful Native nations build capable bureaucracies. The demands of self-government require performing certain jobs well. Without the staffs to design the wildlife protection plan, maintain the land title records, or operate the police dispatch system, Native nations fail to achieve their own objectives. Successful Native nations not only recruit and train talented citizens for these jobs, but they protect their government employees from politically motivated firings. When they develop professional administration they have even been able to extend the domain of Native decision making. The US Fish and Wildlife Service entrusted biologists from the Nez Perce Tribe with gray wolf management on federal lands. Native water managers regularly hold the City of Albuquerque to higher quality standards. The state of Alaska reluctantly agreed that trained Quinhagak rangers were the people best suited to managing non-Indian campers in the Kanektok riverbed.

3. Successful Native nations root their institutions and activities in indigenous culture. Too often in Indian Country outsiders dictated the choices of institutions and economic activities to the Native nations. Beginning in the 1930s, the Bureau of Indian Affairs recommended government structures that hardly resembled indigenous Lakota, Wampanoag, or Hopi ways of organizing authority. Consequently, conflicts over legitimacy and authenticity regularly corrode the effectiveness of Native self-government.

Many Native Americans recognized that their nations needed to unwind the legacy of outside influence on their institutions of government. The Osage, Apsaalooke, and Cherokee Nations reformed their constitutions. The Navajo Nation experiments with local governance. The Village of Kake, Alaska uses a traditional peacemaking circle for sentencing minors convicted in the state courts. These and other tribes have rebuilt old institutions and constructed new ones that meet two critical tests. First, the formal institutions of government align with contemporary local norms and customs about what is and is not an appropriate use of authority. Without this alignment, institutions written on paper are little more than that: paper. When formal institutions do match indigenous culture however, the research indicates they tend to produce long-lasting stability and effectiveness. The Osage constitutional reform coincides with an economic boom and return migration. Local self-government at the Navajo Kayenta Township resulted in economic and civic resurgence.

Second, most successful Native nations recognize that their institutions must be practically effective in today's world, not romantic renditions of Native culture. Few Native nations in the United States have the luxury of isolationism. Native nations contend with the social, economic, and technological forces of globalization—for better or worse. To advance the values they care about, successful Native nations account for the demands of the outside world without necessarily abandoning their own priorities.

The Kake peacemaking circle meets the needs of the state justice system well enough to earn praise from the Alaska Chief Justice, but it is also very effective at advancing its traditional preference for victim restitution and community harmony. The Salish and Kootenai, Winnebago, and Mississippi Choctaw attract ample private capital without privatizing their efficient nation-owned enterprises. The Sisseton-Wahpeton Oyate may fire employees who do not show up on time for work at the nation's casino, but then it surrounds the dismissed worker with social, medical, and cultural experts (tribal elders) so that the employee develops the life skills necessary to regain and maintain their employment.

In contrast to historic models of development that emphasized creating jobs by starting development projects, this research indicates that successful Native nations engage in a process of re-building their nations, creating an environment of rules and practices in which projects are likely to succeed. American Indian development arises from effective political processes rooted in tribal culture and decision-making control, not from finding the right development project or attracting the right investor.

CONSIDERATIONS FOR PARTICULAR CONTEXTS

Native nations in the United States paid dearly for one-size-fits-all policies. It would extend the error to say unthinkingly that what works for the Salish, Apache, and Penobscot would work for the Diné, G'wichin, Maori, Mapuche, Xingu, or Kaqchikel. The indigenous rights are different; the economic contexts are different; the priorities of the people are different; and the policies are different.

But the research findings of the Harvard Project and Native Nations Institute need not be discounted simply because they are based on North American cases. The findings themselves emerge from great diversity. The US Supreme Court held that Native sovereignty virtually does not exist in Alaska, whereas politicians in Arizona consider the Navajo Nation and Hopi Tribe essential voting blocs whose sovereignty should not be questioned. In the economic domain, many Native residents of the Village of Venetie still hunt and fish for their livelihoods while the Confederated Tribes of the Warm Springs Reservation issue bonds on Wall St. to finance hydropower. In political culture, modern Native America ranges from the traditional Onondaga Chiefs and Pueblo *caciques* to San Manuel's Business Committee and the Osage's twenty-first century constitution. The principal determinants of success emerge from a wide variety of political, legal, and economic contexts.

At a minimum, the research from the Harvard Project and Native Nations Institute poses a series of questions for indigenous communities:

1. Is the indigenous community capable of achieving its goals for the future? Is the indigenous community accumulating or dissipating the resources it cares about? Is it experiencing emigration or immigration? Is the culture moving in a direction that satisfies most members in the community? Are Native and non-Native people betting on the community's future? Are social relations improving or are they

fraying? The specific variables will vary from place to place, but the fundamental question hinges on indigenous perceptions of vitality or decline.

2. If decline is a concern, who is making most of the decisions affecting the indigenous community? If it is not the indigenous community itself, then the focus of effort should be indigenous powers of self-rule. Obviously, the external context may be very challenging and slow to change, but often (in the United States at least) internal deference to outside authority has constrained Native nations. Internal deference is usually within the indigenous community's control.
3. In the competition for workers and investors, is the indigenous community falling behind other governments or jurisdictions? What characteristics of self-organization will make the indigenous community more attractive? Can it settle disputes more fairly or quickly? Can it establish businesses that are insulated from internal political concerns? Can it administer key activities more efficiently? Native nations in the United States recognize that if they perform better than their local competitors, even by a small margin, they will attract more workers and investors.
4. Is indigenous culture supporting development, not just as goods or services to be sold to tourists, but as a mechanism for maintaining community support for institutions and activities? Do the structures of indigenous organization seem authentic and trustworthy to the people? Do institutions meet the functional needs of the community in the twenty-first century while advancing the cultural values of the indigenous community? Native nations in the United States recognize that they walk in two worlds and respond with creative and ambitious policies and institutions that match their cultures.

Asking these questions and responding to them in a clear-eyed fashion points to a final hallmark of successful Native nations in the United States: leadership. Of course, all communities benefit from having capable, ethical, and determined leaders. In Indian Country, a particularly strong premium exists for indigenous leaders who can envision a new set of possibilities for the nation and build community capacities to reach them. Such leaders overcome the forces of inertia and decay if they can engage community support for change and development.

ABOUT THE HARVARD PROJECT AND NATIVE NATIONS INSTITUTE

Both the Harvard Project and the Native Nations Institute dedicate themselves to understanding the determinants of social and economic development in indigenous nations and to sharing that understanding with Native communities. Five central missions achieve these objectives:

1. Conducting and circulating research about the conditions under which Native nations initiate and sustain social and economic development;
2. Performing applied research for particular Native nations on questions related to policy, leadership, organizational development, and self-governance;

3. Educating current tribal leaders about the research findings directly in person and over the Internet;
4. Educating future tribal leaders by developing curricula, supporting Congressional interns, and teaching high school, college, and graduate students; and
5. Sharing models of excellence in Native self-government across nations and countries.

References are provided in a separate document.