



**THE NATURE AND COMPONENTS OF ECONOMIC DEVELOPMENT
IN INDIAN COUNTRY**

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This paper was commissioned for the National Congress of American Indians Policy Research Center (Center) for the purpose of stimulating discussion at the National Native American Economic Summit (Summit) to be held in Phoenix, Arizona on May 15-17, 2007. The paper is not intended to be comprehensive, but to provide an introduction to relevant issues and policies and some preliminary thoughts about the appropriate role of federal and tribal policy-makers. The positions and opinions found within this paper are the views of the authors only and are not representative of the views of the Center or the Summit participants.

What Is Economic Development?¹

Economic development is sometimes a controversial topic in Indian Country. The needs in many Native communities are substantial. Poverty and related social problems have long given American Indian and Alaska Native Nations ample reason to look for ways to increase economic activity. At the same time, some Native people have been concerned about what development might mean for them, associating it with assimilation into the mainstream society, the reorganization of their communities around market forces and corporate structures, and the loss of Indigenous cultures.

We make no assumption here about either the form that economic development takes or the changes that it leads to for Native peoples. *We define it simply as an increase in economic activity in a community or other social unit.*

This definition casts a very wide net. Economic development can take a variety of forms, ranging from increased subsistence hunting and trapping by Native people in the Yukon Flats in Alaska to nation-owned casino gambling on the outskirts of Phoenix, Arizona. Similarly, it can be used for diverse purposes, from supporting traditional languages and ways of living to addressing health and educational disparities to transforming land and community.

Economic development is not the same thing as economic growth. Economic development is an increase in economic activity. Economic growth is an increase in levels of wealth and/or income in a particular community or other social unit. Economic development often leads to economic growth—a common development outcome is increased wealth and income. However, development may have other outcomes as well, and development may be driven by purposes other than increased wealth and income. For example, a nation might pursue economic development primarily to enhance its political clout, to gain resources for land purchases, to fund litigation, or to support some other, largely non-economic purpose. In our experience, few Native nations are primarily concerned with making themselves rich. Nor are they merely interested in generating jobs and income, as important as those things may be in improving the quality of life in Native communities. Most are trying to gain the wherewithal to address a more ambitious set of needs and concerns. Three purposes appear to be particularly important in the economic development efforts of many Indian nations:

- *To provide their citizens with economic opportunities* so they can support themselves and live satisfying lives in their home communities. Asked a few years ago about the impact of development on Choctaw culture and community, Philip Martin, Chief of the

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Mississippi Band of Choctaw Indians, responded, “Well, it used to be that everyone moved away, but now they’re all coming back.”²

- *To provide Native communities with the means to pursue their own social and cultural objectives*—from health care, housing, and elder and youth services to the revitalization of language and culture—on their own terms.
- *To support Native governance*, empowering their nations to implement their own governance designs and carry out such central governance functions as law making and enforcement, the management of civil affairs, the management of lands and other natural resources, education, and so forth, thereby reducing crippling dependence on outside funds and decision-makers.

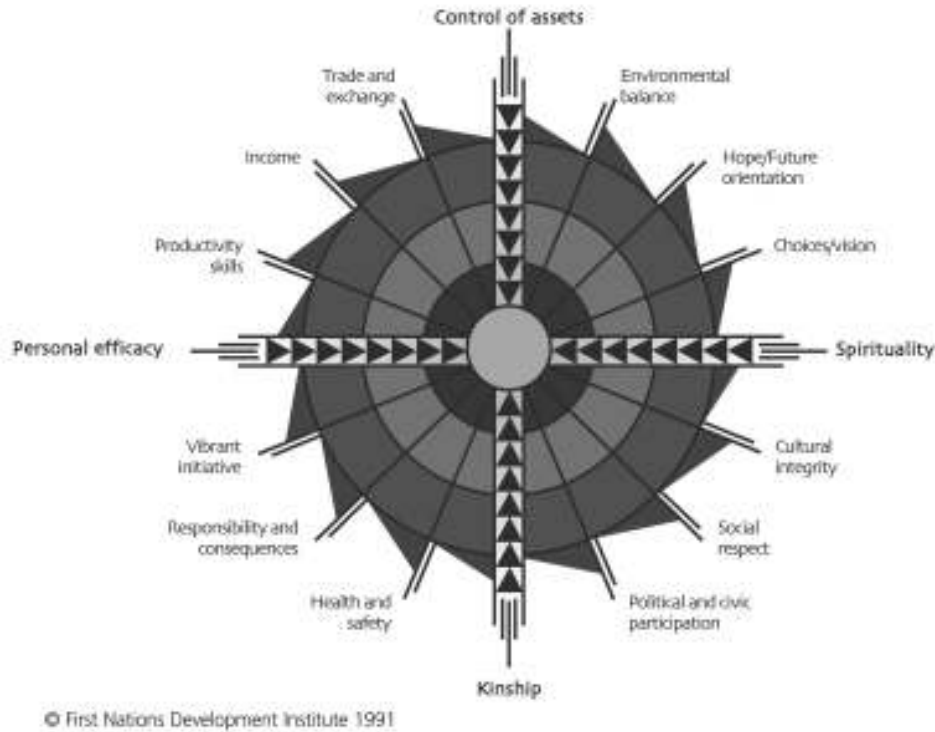
In other words, most Native nations are trying to be successful *as nations and as communities* while reserving to themselves the power to decide what “success” means—economically, politically, socially, and culturally. For them, success in economic development cannot be measured simply in economic terms. To enhance per capita incomes, for example, but at the same time lose the power to manage internal affairs or their land base in their own ways, would not constitute success.

Duane Champagne (2004, p. 323) captures this point in his argument that, while many Native nations are participating in capitalist development, it is a particular kind of capitalism they are pursuing. He calls it “tribal capitalism,” an approach to development that seeks a balance between “community and cultural protection and the enhancement of tribal sovereignty” on one hand and material gains on the other. It is an approach that consciously and often systematically takes into account the effects of various development strategies on culture, social relationships, land relationships, political autonomy, and other aspects of community life. These aspects are typically absent from profit-and-loss statements, but are critical to most Native nations. Balancing them all is part of the development challenge these nations face.

The First Nations Development Institute depicts this idea using a medicine wheel in which economic and other goals are mutually supporting, with progress occurring on all fronts together (Figure 1). The circles moving outward from the center represent individuals, groups or communities within the nation, and the Native nation as a whole, with development taking place at all levels.

² Chief Philip Martin, Mississippi Choctaw, address at Harvard University, September 29, 1998.

Figure 1: First Nations Development Institute's "Elements of Development"



Source: Black (1994), p. 15; also see Adamson, Black, and Dewees (2003), p. 16.

Seeking balance among their various priorities and needs has become a common part of development conversations across Indian Country, but it has led in many different directions. Diversity in circumstances, cultures, and goals among Native nations means that they pursue economic development in diverse ways. For example:

- the White Mountain Apache Tribe manages its vast forest lands for sustained timber yields, water conservation, and trophy quality elk that it markets to non-Native hunters;
- the Mille Lacs Band of Ojibwe encourages citizen entrepreneurs to start their own businesses both on and off its lands;
- the Citizen Potawatomi Nation of Oklahoma raises its own beef and vegetables and sells them in a nation-owned supermarket;
- the Tulalip Tribes have built a major shopping center, recruiting big box stores and national franchises as well as tribal and small businesses as tenants;
- the Cheyenne River Sioux Tribe raises buffalo;
- the San Carlos Apache Tribe runs a telecommunications utility that serves both on- and off-reservation populations;

- the Santa Ana Pueblo markets Native foods both locally and over the internet.

The list—and the variety—goes on and on.

This same diversity means that, even when presented with similar economic opportunities, Native nations sometimes make very different choices. Examples here include:

- several of the Apache tribes have developed significant revenue streams by marketing their wildlife to hunters and fishermen, whereas the Yakama Nation decided against commercialization of its high-dollar wildlife and bars outsiders from major portions of its lands, reserving them for hunting, gathering, and related activities by its own citizens;
- the Grande Ronde Tribe built a casino as the central engine of its economic development while the Hopi Tribe elected not to;
- the Crow Tribe of Montana digs up coal while the Northern Cheyennes, next door, have left it in the ground.

In short, Indian nations are making sometimes divergent choices as they search for the best ways to support their priorities and achieve the development outcomes they want—just as one would expect under tribal self-determination.

They also vary in how they put development revenues to use. Examples include:

- the Mississippi Band of Choctaw Indians and the Cherokee Nation of Oklahoma (among many others) put some of their revenues into the revitalization of Indigenous language and culture;
- the Gila River Indian Community has poured profits into enhanced law enforcement, paramedic, and fire services;
- the Rosebud Sioux Tribe and Confederated Salish and Kootenai Tribes of the Flathead Reservation buy back traditional territory lost more than a century ago;
- the Blackfeet Nation and the Winnebago Tribe of Nebraska diversify their economies;
- the Grand Traverse Band of Ottawa and Chippewa Indians puts some enterprise profits into tribally managed health care; various nations use development revenues to support education, housing, and natural resource management, to build strong court systems and revise tribal constitutions, and for dozens of other purposes.

All of these examples share a critical feature: they represent Indigenous choices about how to use economic activity to support their goals as nations and communities. Ultimately, economic development is about freedom—about American Indian and Alaska Native nations

gaining the freedom to shape their communities and futures in their own ways.³ It is about making self-determination not only a right but a practical reality.

Indeed, economic development and self-determination are intimately related. Economic development on Indian lands is likely to occur only where Native nations are calling the shots—that is, where they are exercising jurisdictional power over their own lands, institutions, and affairs and are able to make their own choices about development strategies and outcomes. Where outsiders call the shots, accountability disappears, community engagement disappears, and development fails (Cornell and Kalt 1992, 1998, 2007; Krepps and Caves 1994). Self-determination, in short, is essential to sustainable development.

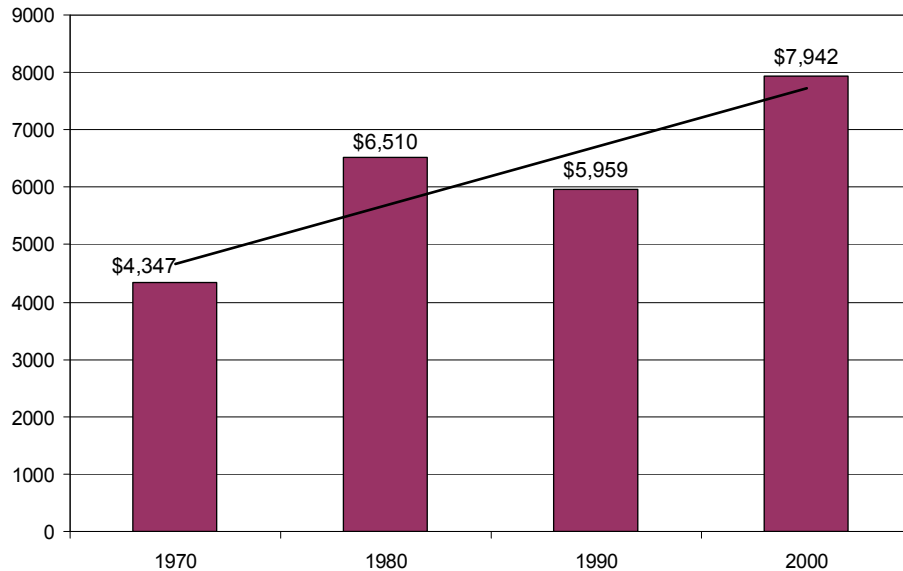
The reverse is true as well. Without economic development, the promise of self-determination is likely to remain hollow. While tribal communities might retain the right to determine their own futures, without the economic means to organize and support their own governments, pursue their own socio-cultural goals, and provide their citizens with opportunity, they will necessarily remain dependent on outside decision-makers and outside funds. Under such circumstances, what does self-determination really amount to?

The Economic Transformation of Indian Country

Over the last thirty years, Indian Country has experienced significant economic growth as measured by average individual and tribal incomes. Figure 2 shows inflation-adjusted per capita income figures for reservation Indians from 1970 to 2000. The growth is substantial. But there are other indicators of economic improvement as well. In the aggregate, for example, employment rates are rising and household poverty rates are falling (Taylor and Kalt 2005).

³ This conception of economic development parallels Amartya Sen's (1999) conception of economic wealth as a source of freedom, although his focus is largely on individuals rather than communities: "The usefulness of wealth lies in the things that it allows us to do—the substantive freedoms it helps us to achieve. ... Expanding the freedoms that we have reason to value not only makes our lives richer and more unfettered, but also allows us to be fuller social persons, exercising our own volitions and interacting with—and influencing—the world in which we live" (pp. 14-15).

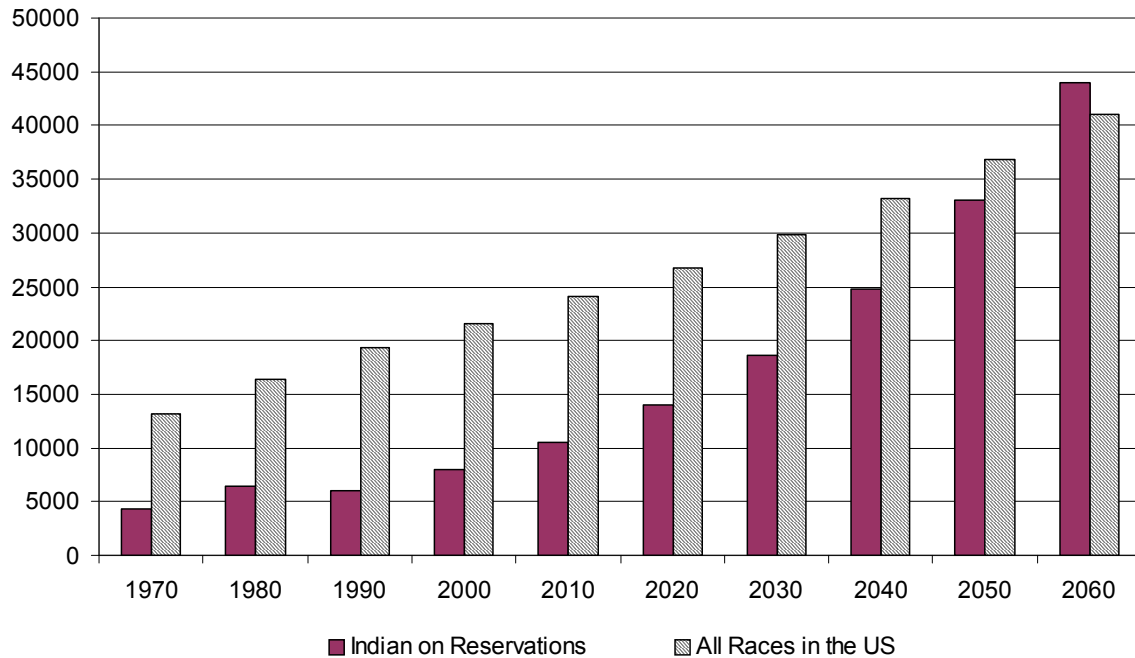
**Figure 2: Inflation-Adjusted Per Capita Income, 1970-2000:
Indians on Reservations**



Source: Taylor and Kalt (2005), p. 7.

Of course, words such as “average” and “in the aggregate” are crucial elements in these statements. Things are not improving equally everywhere, and Indian Country today, taken as a whole, remains impoverished. Furthermore, Native nations have entered this period of economic change from extremely disadvantaged starting points; a 1974 U.S. Department of Health, Education, and Welfare report, for example, after summarizing dismal American Indian and Alaska Native socio-economic conditions, described the rural Indian population as “in a class of poverty by themselves” (U.S. Department of Health, Education, and Welfare 1974, p. v). Despite improvements over the last few decades, average income levels in Indian Country remain low and are unlikely to converge with mainstream levels any time soon. Even if the rate of per capita income growth that on-reservation Indians experienced during the 1990s—a rate many consider exceptional—were to continue for years, and assuming the current all-races rate in the U.S. continued as well, it would take until 2055 or so for per capita incomes in Indian Country to catch up with the mainstream (see Figure 3).

**Figure 3: Actual & Projected Inflation-Adjusted Per Capita Income, 1970-2060:
Indians on Reservations & US All Races**



Note: Statistics for 1970-2000 are actual values; statistics for 2010 through 2060 are projected values, using the growth rates experienced in the 1990s. Source: Taylor and Kalt (2005), p. 7.

Obviously, by such measures, the reservation population still has a long way to go. Nonetheless, the overall trend is positive and substantial. Economic growth (again, increases in individual and tribal income) is taking hold in Indian Country.

At the same time, federal spending on Indian programming—far and away the dominant source of outside support for reservations—has been flat or falling since the late 1970s (Walke 2000). Taken together, these two facts—improved income and employment and flat or falling federal dollars—indicate that a significant economic transformation is underway in Indian Country. There has been a shift away from transfer economies (economies largely dependent on transfers of funds from federal or other outside sources to tribes) to productive economies (economies built on productive economic activity and the revenues it produces). This transformation is by no means complete, and it is very uneven. Many Native nations remain mired in poverty and dependence while others have moved a long way toward sustainable economies with only minimal dependence on outside sources of support. Still others are somewhere in between. But most Native nation economies are now involved in this transformation in one way or another, and it appears to be gathering steam. In addition to the aggregated data on changes in income and funding patterns, there is raw evidence coming from a growing number of tribes as they launch new enterprises and support the development efforts of their citizens.

One result, as we already have suggested, is rapidly growing economic diversity. Before about the 1980s, most reservation economies looked similar to each other, dependent on some combination of federal grants, leasing of tribal lands to non-Native producers, occasional off-reservation employment, and the extraction of mineral resources and timber, often by non-Native companies. Few nation-owned enterprises—themselves fairly rare—were profitable, and much of the wealth generated from Indigenous lands quickly moved into non-Indigenous hands. Federal funding decisions encouraged tribes to undertake the same kinds of activities. When federal agencies were funding motel construction, Native nations built motels; when federal agencies were funding industrial parks, Native nations built industrial parks; if they were funding convenience stores, Native nations built convenience stores. In effect, outside decision-makers were determining many Native development strategies.

Patterns of revenue-generation look very different today. Nation-owned enterprises are on the rise. Many are responses not to outside agendas but to tribal agendas, and many are generating significant revenues. Citizen entrepreneurship also is on the rise as tribal citizens start their own businesses to serve reservation populations or export goods and services to non-reservation markets. As economic activity starts to reflect nation-identified assets and priorities and citizen initiatives, reservation economies start to diverge from each other.

This same transformation is also restoring to Native nations a dramatically increased measure of control over how they support themselves, something lost to most of these nations in the massive nineteenth-century expropriation of Indigenous lands and related resources. Once again, tribes are shaping their own economies, this time into diverse and complex combinations of market-based, customary, and transfer-based activities.

As all of this—combined with the examples we touched on in the opening section of this paper—suggests that economic development is taking hold in Indian Country. It also suggests that economic development is being used by Native nations to improve citizens' and community wealth and welfare, to invest in self-determined social and cultural goals, and to exercise self-governing power.

Solving the Development Puzzle

What have been the keys to this transformation? How have Native nations begun to move from transfer economies toward productive ones, enlarging the means and the freedom to pursue their own agendas?

The answer lies in the ways they have approached development. One of the most striking things about the turnaround for tribes has been their rejection of an established—and singularly unproductive—approach to economic development and growth.

For many years, under the influence of federal bureaucrats and funding practices on one hand and of tribal politics on the other, Indian Country economic development too often took the following form.

- It was conceived largely as the job of the development planner, who was hired to find some funds, come up with some ideas, and “get something going.”
- It tended to look for quick fixes and “home runs”—either the project that could be quickly done or the grand idea that promised to solve everything at one stroke—instead of building an economy piece by piece.
- The typical funding mechanism was federal grants, with tribes pursuing whatever activities federal agencies were willing to pay for.
- The resulting businesses—which typically were tribal enterprises rather than citizen-owned entities—were often organized as if they were departments of tribal government and operated like other government programs, with a grant mentality, little attention was paid to returns (of any kind) on investments, and managers who reported directly to tribal councils.
- This gave tribal councils extensive control over day-to-day management decisions such as hiring, firing, business policy, and grievances, opening the door to political interference in most business decisions.
- Enterprise employment often was based more on patronage or politics—who someone voted for or who their relatives were—rather than on business expertise, denying tribes the very skills they needed if their enterprises were going to succeed.

Hire a planner, get a grant, start a business, hire as many people as you can, and micromanage the result—these were the key tasks in this approach. It turned out to be a recipe for failure. The reason had little to do with intentions. Both funders and planners in this scenario were trying to meet the needs of Native nations. The issue was the process itself, which had little chance of creating sustainable economies. Burdened by too much federal control, too little strategic thinking, a shortage of business expertise, and an overload of tribal politics, it led to failure after failure across Indian Country.

Today, more and more nations are turning their backs on this approach, wary of its limitations and its track record. Not all of them are successful yet at achieving their goals, but a growing number are beginning to build sustainable economies that reflect their own priorities. Their approach looks very different.

- It begins with jurisdiction: the nation moving into the driver’s seat in its own affairs. This puts development decisions in the hands of the people who will experience the consequences of those decisions (a linkage missing when development is controlled by outsiders) and creates accountability (a sense of greater responsibility for the decisions that are made and an increased incentive to make decisions that have positive effects on the community).
- It backs up jurisdiction with capable governance. This means building a legal/political infrastructure of appropriate laws and policies that keep politics in its place and

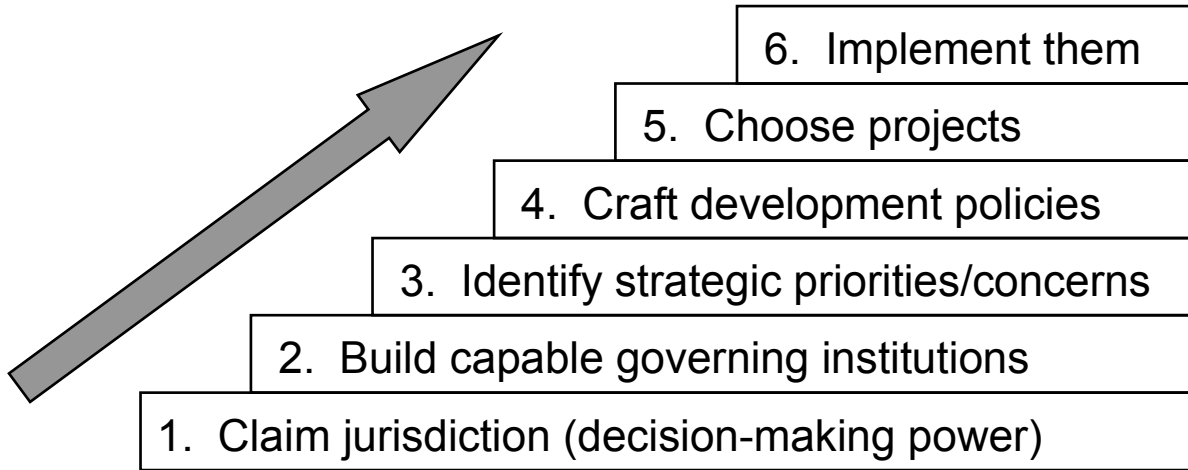
encourage both citizens and outsiders to invest time and energy in the nation's future. This in turn means appropriate separations of powers; clear roles for legislatures, the tribal executive, and managers; commercial codes; and a dispute resolution mechanism, such as an independent tribal court, that can capably address business issues and make decisions free of political interference.

- It relies on this governance environment to attract and retain good people and financial capital, recognizing that both talent and capital will go to those places that combine notable opportunities with the reliable rule of law.
- It recognizes that, while economic development may take advantage of federal resources, it is far too important to be left to federal agencies or tribal planners, even the best-intentioned ones. It has to be a national priority, with leadership from the top and full community involvement.
- Instead of looking for quick fixes or home runs, it focuses on identifying the community's strategic priorities—cultural, political, economic, and social—and on bringing those priorities into day-to-day decision-making. If strategic priorities include sustaining particular relationships with the land, what kinds of development policies for land use and related activities will support those relationships? If those priorities include finding ways to sustain seasonal ceremonial cycles while at the same time running competitive enterprises, what sorts of policies will be necessary to do that? If a tribal goal is to encourage citizens to support the development effort by going into business for themselves, what steps can the nation take to encourage and support that?
- It invests in building financial management capacity by putting in place and enforcing rigorous financial policies, hiring talented people, and turning those people loose within the strategic framework set by the nation.
- It invests in the physical infrastructure necessary to development, but it does so in ways that respect tribal priorities in areas such as land use, resource protection, and social relationships.
- It organizes nation-owned enterprises not as government programs or departments but as separate entities with charters and governance structures of their own designed to keep strategic decisions in the hands of tribal leadership while placing day-to-day management in the hands of managers.
- Through its work on strategic planning and capable governance, it also creates an environment more conducive to citizen entrepreneurship, including a plan for how tribal and citizen-owned businesses will work together, specific policies and programs supportive of citizen entrepreneurs, and a dispute resolution system capable of fair adjudication in business disputes.

Much of this approach can be captured in six key steps, outlined in Figure 4 as a nation-building approach to economic development. It is only at step five in this approach that the nation begins to consider what sorts of businesses to be in. It makes little sense to focus on

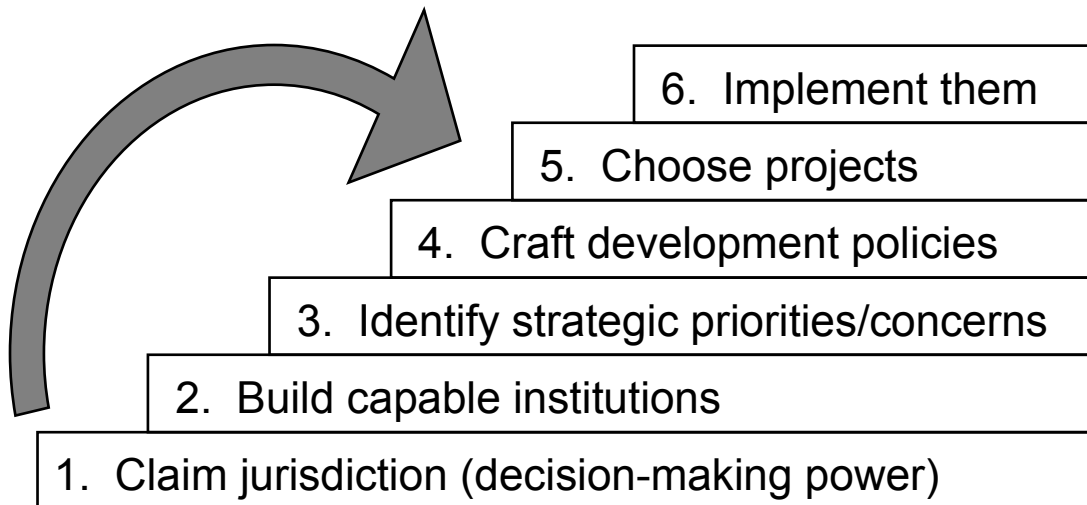
specific enterprises or projects until the other pieces of the puzzle have been put in place: the governance environment, the strategic considerations, and a policy environment that shapes how businesses will operate and what they can do.

Figure 4: The Nation-Building Approach to Economic Development



Unfortunately, many tribes, as suggested by Figure 5, leave out steps 2, 3, and 4, fiercely defending their sovereignty, then hoping that picking the right project will solve their problems. However, if economic development is going to last and serve the nation's goals, it cannot ignore these intervening steps. They are what give economic development impact and staying power.

Figure 5: The Leap-of-Faith Approach to Economic Development



The nation-building approach does not solve all of the development problems facing Native nations. Some have few natural resources, are far from markets, have small populations

with limited skills and experience, or are otherwise disadvantaged in ways over which they have little control. But—barring court or Congressional decisions that reduce tribal sovereignty and thereby cripple development efforts—Native nations have control over the six steps in Figure 4. Evidence from across Indian Country indicates that this approach dramatically increases the chances of creating sustainable Indigenous economies, even where development assets may be limited. Tribes with few resources that take these steps tend to do better than tribes with ample resources who ignore the principles captured here.

Some might complain that Figure 4 leaves out such things as skills development, gaining access to capital, and physical infrastructure. These are part of steps 3-6—strategizing, crafting policy, choosing projects, and implementing them. This in no way belittles these aspects of development. It simply points out that they require sustained attention throughout the process and deliberate thinking about how they are nurtured, built, accessed, used, and renewed.

The governance point—step two—undergirds all such thoughtful activity. Unless the nation deals with its own governance infrastructure, neither skilled people nor financial capital are likely to be attracted or, once attracted, stick around for long. Nor does investment flow to physical infrastructure (despite some tribal leaders’ focus on infrastructure to the exclusion of other things, reflecting a sort of “if you build it, they will come” philosophy). Some infrastructure—such as roads, water, and electric power—are essential to most development strategies, and obviously need attention. Beyond that, infrastructure depends on strategy and projects. It needs to be shaped by the development choices tribes make. Investment flows to opportunity and security—that is, to economic possibilities and the rule of law. Without them, even the highest quality physical infrastructure goes to waste.

Debunking a Few Myths

American Indian and Alaska Native nations should also be aware of some of the ideas that are often heard in economic development discussions but are misleading or incomplete. We call these myths, although a couple of them are more like partial truths—true up to a point and in some places, but unreliable as guides to decision-making.

“Jobs are more important than profits”

In discussions with tribal leaders, managers, and planners, we often hear the debate about jobs versus profits. Typically, the conversation includes something along the lines of, “One of the differences between Native communities and others is that we care more about jobs than profits. What our people need is jobs.” This need is amply apparent, but the statement ignores a key point about the generation and sustainability of jobs. We’re reminded of one tribal forest products enterprise that rose and fell in the 1990s. It was run largely as an employment service. Many people on this reservation needed jobs, and at the urging of tribal councilors, the enterprise kept taking on additional employees. Soon it was employing lots of people, but its labor costs were so high that it could no longer compete in the market. As its losses mounted, the business turned into a major drain on the tribal treasury, which had to subsidize it to keep it and its jobs going. Eventually the drain became too much. With no more money, the business folded, all the jobs were lost, and all the subsidies ended up as another failed investment.

Businesses that function as job-generation engines usually derail. Whereas businesses that are managed to produce profits are much more likely also to produce jobs that last. This is especially the case in competitive markets or economic sectors, where managing to sustain employment leaves businesses at a disadvantage. The belief that “We can still be profitable even if we employ a few more people” can launch an enterprise down a slippery slope, making business decisions hostage to employment goals and threatening its chances of survival over the long haul. Jobs in a profitable enterprise are more secure than jobs in a money-losing one.

But there’s another reason for focusing more on profits than on jobs. Profits mean more money for the enterprise or for the tribal treasury (whether collected as a dividend from a tribal enterprise or a revenue tax on entrepreneurial sales), and money can be used for all kinds of things. Both business activities and tribal programs cost money. Profits increase the choices available to decision-makers, enhancing the nation’s capacity to do the things it wants to do. With profits in hand, tribes can decide whether to expand a profitable business (creating more jobs), diversify the economy by investing in other businesses or growing the citizen entrepreneur sector (creating still more jobs), support social services that are addressing tribal needs, or something else altogether. In short, a focus on profits has bigger potential positive effects on tribal welfare—including job generation—than a focus on jobs.

Does this mean Indian nations should be concerned only with profits? No. Jobs are understandably a critical strategic priority for many nations, and accepting reduced profits in favor of additional jobs is not necessarily a misguided policy. A strategic approach to development requires careful thought about the durability of those jobs and the need for revenues if jobs are to be sustained and other tribal needs are to be met.

There is one further consideration. Some kinds of businesses are more labor intensive than others. Service industries, for example—such as motels and restaurants and other retail operations—typically employ more people than mechanized agriculture does. Some tribes may decide to enter industries or develop enterprises that offer higher employment. Given appropriate opportunities and other business factors, these decisions may make sense. Once such strategic decisions are made, however, day-to-day employment decisions should be left to managers who are managing for profits, expanding employment as demand for business services and products grows.

“Development should focus on increasing multipliers”⁴

Many of the dollars that flow onto Indian reservations, from federal grants, tribally generated revenues, or individual incomes, almost immediately leave, being spent in off-reservation businesses as both the nation and its citizens shop for the things they need. Dollars that quickly leave support few people and activities. Dollars that are spent within the reservation economy support more people and activities, multiplying their effects.

⁴ This section draws in part on Cornell (1994, pp. 10-12).

This has led some of those concerned with reservation economic growth to argue that the development effort should focus on increasing reservation multipliers—the number of times a dollar gets spent on the reservation. Such a focus puts a premium on developing reservation retail sectors and other activities that can attract spending by tribal citizens. The efforts are worthy, particularly as they expand reservation retail sectors, which often are slim to non-existent. It is also true that turning the dollar over within the reservation economy helps to support that economy.

However, a focus on multipliers should not be allowed to misdirect tribal policy. Consider two hypothetical situations. In one, the multiplier is low—dollars that come in quickly leave again—but most people have good jobs with decent incomes. The reservation economy, despite its low multiplier, is providing most people with a good standard of living. In the other situation, multipliers are high—dollars that come in turn over several times before leaving—but few people have good jobs, and individual and tribal incomes are low. Despite its high multiplier, the reservation economy is doing a poor job of supporting its people. In both cases, policy aimed simply at increasing the multiplier will not serve tribal citizens well.

This is not to say that multipliers don't matter. Particularly in rural areas where retail sectors and other opportunities to meet personal and tribal economic needs are scarce, high multipliers can have significant positive impacts. Tribal development strategies should be concerned also with increasing revenues and incomes—that is, with adding new dollars to the tribal economy. In general, and allowing for differences among tribes' circumstances, tribal economic policy should seek a balance among three economic development (and growth) goals: local revenue generation (adding new dollars to the reservation economy by selling goods and services—including labor—to outside buyers), income repatriation (adding new dollars to the reservation economy as citizens living on-reservation but working off-reservation bring their wages home), and multipliers (turning dollars over on the reservation by selling reservation-based goods and services to the reservation-based population). This balanced set of economic goals increases the flow of dollars both *into* the reservation economy and *around* the reservation economy.

“Every opportunity is a good opportunity”

At a meeting on an impoverished reservation a few years ago, we listened as a number of tribal managers discussed the dismal state of economic affairs in their nation. Trying to offer a counter to all the bad news, one manager eventually said he thought at least one positive thing had happened in the past year: the nation had brought in millions more dollars of federal money than the year before. His colleagues met this statement with a studied silence. The speaker looked around, caught their drift, and said, more or less, “Okay, I realize there's a bit of a dependency problem here.”

This anecdote illustrates two points. The first is that there are numerous federal programs that offer critical funding to tribes, supporting important social programs and tribal functions. The speaker was rightly pleased that his nation, through hard work and good grantsmanship, had increased the resources it had to work with, the services it could provide, and the jobs it could support. But the second point is that not all opportunities are good opportunities. Each of those

federal programs may have made sense on its own, but the overall result was increased dependence on federal dollars for jobs and to sustain tribal government. This is not what that nation, a fierce defender of tribal sovereignty, really wanted. Furthermore, the effort to increase grant-based funding distracted the nation from efforts to develop revenue sources of its own, a strategy that would do more to support its core goal of self-determination.

How is this an economic development story? For one thing, it shows what the lack of economic development does, leaving the nation dependent and therefore vulnerable to federal funding decisions, and with reduced freedom of choice. The key point is the speaker's unspoken premise, the idea that virtually any programs and projects are worthwhile endeavors as long as they bring jobs or other resources to the community. Just creating jobs isn't a recipe for lasting economic growth. It is not a plan for creating and growing a productive economy. It is not a way to develop enduring and regenerative employment.

Even tribes that are pursuing nation building and focusing on building productive economies can slip into the tendency to chase dollars just because they're there. Usually it occurs as seemingly good opportunities come knocking at the door. Don't you want to be chosen by the federal government as an enterprise zone? Why aren't you taking advantage of section 8A contracts in this or that industry? You've been selected as a pilot program site for our new comprehensive communities program. And so on. But Native nations first have to ask, "How does this fit into the strategic priorities and plan we have set for ourselves?" Otherwise, they may focus on short-term positives and lose sight of long-term negatives.

This is not to suggest that tribes should ignore federal funding opportunities. Quite the contrary. The federal government can play a positive role in reservation economic development as a source of funding, expertise, and leverage. This may be particularly the case where inter-governmental coordination is necessary. For example, in regional transportation systems, or where capital costs are high and solutions such as tax-exempt bond financing may be required. Our sense is that many tribes fail to take full advantage of existing federal programs that could be helpful in addressing economic, social, and governance challenges—including programs that are not directed specifically at Indian communities. What many of these programs need is more federal dollars, not less, and more assistance for tribes in accessing those dollars.

Our point, instead, has to do with how tribes approach these funding opportunities. Native nations should be as strategic in their pursuit of federal funds as they are—or should be—in their analysis of every other opportunity, from joint venture proposals to negotiations with states to decisions about how to use natural resources. This is why strategic thinking is so important. By establishing its long-term, strategic priorities, the nation gains a set of criteria with which to measure all its other actions. Does this enterprise opportunity support the nation's long-term priorities? If not, why do it? Does this federal program get the nation closer to where it wants to go? If not, why pursue it?

“Too much success is a bad thing”

When poverty was the big story in Indian Country, few outsiders criticized tribal economic development. This is no longer the case. From calls in Congress to means testing of

federal spending on trust and treaty-guaranteed programs, to pundits' claims that gaming tribes don't deserve any "special rights," the critique and resentment of tribal economic successes has become vocal. While it may not be widespread, there is a sense in some of the non-Indian discussions today that a rich Indian is somehow an undeserving Indian—or at least an unfortunate outcome of recent changes in Indian Country. As Lance Morgan (2001) put it in an op-ed piece in *Indian Country Today*, "a strange new brand of economic racism—'jealousism'"—has taken hold.

The viewpoint Morgan describes ignores the fact that both American wealth and Indian poverty have roots in the historical expropriation of Indian economic resources. It also ignores the fact that, despite recent successes, the Indigenous population of the United States remains among the poorest of the poor. Most important, it holds Indian Country to a different standard from the rest of the society. The inconsistency shows up if we were to imagine that political and business leaders in the United States were to decide one day that "enough is enough"—that there is no more reason to try to grow the gross national or domestic product, no more reason to think of increasing wages, productive capacity, or technological capabilities. They might well decide that "enough is enough" of a particular kind of development—development, for example, with high costs in ecosystem destruction or reduced national security—which is the sort of strategic decision that human communities might reasonably make. However, to conclude that development itself—an attempt to improve socioeconomic welfare and gain the means of pursuing other societal goals—should be stopped makes little sense, for Indians or for anyone else.

Furthermore, this line of thinking misses a key point: economic success in Indian Country is a win-win proposition for both Indian nations and the country as a whole. As Native nations become more economically successful, they reduce social welfare costs and spin off to non-Native communities such benefits as job opportunities, vendor business, and increased productivity. Holding back tribal economic development only increases such costs and reduces such benefits. Indian economic development is not only in the interests of Indian Country; it is in non-Natives' interests as well.

The Path Forward

Our conception and understanding of economic development has implications for both federal and tribal policymakers.

For Federal Policymakers

- Shift maximal decision-making power into Indigenous hands;
- Invest in *institutional* capacity-building, the kind that enhances the capacity of Native nations to govern in effective ways of their own choosing and that backs up economic development activity in their communities;
- Tolerate diversity in governmental forms and development strategies;

- Make available the financial resources that are necessary if Indian nations are to develop financial resources of their own;
- Support and grow government-to-government relationships that treat development not as paternalism but as partnership.

These ideas mean taking tribal self-determination and self-government seriously. It is unfortunate that, in recent years, a combination of federal policy terminology and tribal acquiescence have corrupted the terms “self-determination” and “self-governance.” For many people, self-determination has come to refer to the tribal contracting of federal services provided for by the 1975 Indian Self-Determination and Education Assistance Act. Self-governance, similarly, has come to refer to compacting, the policy of block funding of groups of programs inaugurated by the 1988 Indian Self-Determination Act Amendments, which established a demonstration project, and follow-on legislation that opened the opportunity to all tribes.

Such referents impoverish the terms self-determination and self-governance. Both of them have lost their core meanings and instead have become synonyms for self-administration—the practice of having Indian nations simply take over management of programs designed and funded by federal agencies. Self-administration may be an advance over past practices of direct federal administration, but it is a modest one.

We want to return these terms to the core meanings that they have begun to lose. Self-determination, to us, refers to the freedom of tribal nations to determine the sorts of futures they want and to their right to make the decisions—from development strategy to governmental form to systems of laws to the exercise of jurisdiction over lands and people—that will bring those futures to life. Self-government, to us, is creating the means to make and implement those decisions—and the making of them. Governance is the practical implementation and exercise of the right of self-determination. It is meeting the challenge that self-determination presents.

For Tribal Policymakers

On the flip side of the coin, Native nations that want to build sustainable, productive economies—of whatever kind—will have to seize the right to govern and then exercise that right effectively. In short, they have to govern well.

For some, this may involve not only assertions of governing power but wholesale constitutional reform—creating a legal and political infrastructure that respects Indigenous political culture but that also can serve as a foundation for sustainable development. For others, it may only involve changes in policy and procedures—for example, enforcing or reinforcing laws, policies, and practices that support development and protect it from short-term decision-making and the vagaries of local politics. In either case, Indian nations will want to be sure that they have in place:

- A clear distribution of roles among the various arms of government and adequate separations of powers;

- Effective and non-political dispute resolution mechanisms;
- Secured transactions codes and other legal provisions that guide commercial activity and that are enforced for everyone;
- Effective and transparent financial management;
- Strategic clarity (with strategies that are aligned with community ideals and backed with community support);
- And, depending on the nation’s plans and goals, specific supports for economic development activity, such as small business services, zoning arrangements, clear and efficient land title and leasing processes, business regulations, and so on.

As Native nations invest time and energy in addressing these needs, their lands, cultures, locations, citizens’ skills, and other assets can begin to pay off in concrete benefits for their communities. This is what economic development is about: restoring to Native nations the freedom to choose their own ways of living and the ability to realize those choices in daily life.

Measuring Progress

How will Native nations know if they are meeting their economic development goals? There has to be some way to measure progress. Unfortunately, there is little data out there that can give tribes reliable measures of how they are doing. The primary sources of comparative economic data for Indian Country are the Bureau of Indian Affairs labor force and service population estimates, compiled every two years, and the decennial U.S. Census. In the absence of other data, these sources are widely relied upon—but they are inadequate. To help Native nations mark the changes in their communities, assess their strategies, compare their work to their peers, and compare their progress to other economies, such as neighboring rural or urban ones or those of less developed countries or other Indigenous nations, more data needs to be collected more often.

Data should track economic performance indicators such as employment, household income, and the number of households in poverty. They also should track the relative contributions to each nation’s gross national product of tribally owned enterprises, tribal-citizen entrepreneurship, repatriated income, and other sources. Additionally, they should track such things as Indigenous language use, educational achievement, intergovernmental agreements, the effectiveness of resource management strategies, and other phenomena that represent the full range of tribal development goals.

It would be convenient for the federal government to collect and report such data. But if it were possible to solve the coordination problem—so that tribes were measuring and reporting data in the same way—why shouldn’t Native nations themselves collect and report Indian Country data? This would recognize the fact that the primary sources—and the primary users—of these data are Indian nations themselves.

A larger problem is the difficulty of measuring some of these things. One of the tasks of both government and the research community should be to work on developing metrics that can track the things that matter most to Indian nations, and on developing usable mechanisms that tribes can use to gather these data. It is with such metrics in hand that Indian nations can not only measure their progress against their goals but also defend their own policies of self-determined development.

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