

Two Approaches to the Development of Native Nations One Works, the Other Doesn't

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The lessons are in the stories . . .

Citizen Potawatomi

In the late 1970s, the material assets of the Citizen Potawatomi Nation (CPN) consisted of 2 1/2 acres of trust land, \$550 in a checking account, and an old trailer that served as the tribal headquarters. The tribal council was in disarray, and the ties of citizens—scattered across North America by the 1930s Dust Bowl—to anything resembling a self-governing nation were evaporating. To turn things around, the nation's leadership began building an organizational and legal infrastructure that included a revamped constitution, a highly professional CPN Supreme Court, and a commercial code. By 1988, CPN had purchased what is now the First National Bank in Shawnee, Oklahoma, and began to build a portfolio of diversified businesses. Today, those include the bank, a golf course, a casino, restaurants, a large discount food retail store, a tribal farm, and a radio station. CPN citizens are proud owners of scores of private businesses, and it is the unemployed, rather than jobs, that are scarce in the nation. CPN eschews per capita dividend payments and instead channels its financial wherewithal into delivering needed services to citizens—from health and wellness care to educational and child development support, from a pharmacy to an award-winning small business development program. The nation's land base in Oklahoma is now more than four thousand acres, and the citizenry is linked by regional community meetings and facilities spread from Shawnee to Phoenix, Denver, Los Angeles, Rossville (Kansas), Sacramento, Dallas, Houston, Tacoma, and Washington, DC. A sense of honor in being Citizen Potawatomi draws CPN citizens together by the thousands at the annual CPN Family Reunion Festival in Shawnee.

Mississippi Choctaw

In March 1978, Chief Phillip Martin of the Mississippi Band of Choctaw Indians would not take no for an answer. He had waited for hours outside the office of the head of the Bureau of Indian Affairs (BIA—the agency responsible for implementing federal Indian policy in the United States). He wanted the agency to tell General Motors that the Mississippi Choctaw were a good investment risk. He finally got into the office and demanded action. The BIA vouched for the tribe, and General Motors invested in a wiring harness assembly plant on Mississippi Choctaw land. For its part, the tribe backed up its ambitions with changes in government and policy that made the reservation a place where both outsiders and tribal citizens wanted to invest their capital and their lives. Thus began an economic renaissance that has broadened to include plastics manufacturing, printing, electronics, forest products, retailing, and tourism. Today, the band has virtually eliminated unemployment among its citizens, expanded with factories in

Mexico, and turned to non-Indians by the thousands in Mississippi to work in Choctaw-owned factories, enterprises, schools, and government agencies. Incomes are growing, life expectancy has shot upward, Choctaw citizens are coming home, and Native language use is on the rise. A powerful resurgence in well-being, Choctaw identity, and cultural pride defines the nation today.

Salish and Kootenai

By the 1960s, the citizens of the Confederated Salish and Kootenai Tribes of the Flathead Reservation (CSKT) found themselves to be a small minority on their heavily checkerboarded reservation—the legacy of late nineteenth- and early twentieth-century federal allotment policy. CSKT decided to fight for its survival as a sovereign nation by assuming management of its own land base and natural resources. In 1969, the nation established the Tribal Realty Office and started issuing home site leases. The Tribal Forest Management Enterprise was created a few years later. By the late 1990s, CSKT's drive to take control of its own affairs had reached well beyond natural resources: the nation had assumed complete management of all federal programs previously administered by the BIA and the Indian Health Service (IHS). This drive to self-rule has been marked by first-rate management systems, one of the premier tribal judicial systems in Indian Country, and self-designed personnel policies. Not only have economic conditions improved in this setting, but CSKT boasts an outstanding tribal college that provides top-notch education to Native and non-Native students alike, resource managers that more than hold their own in dealing with federal and state counterparts, and palpable community pride.

Akiachak

In the 1980s and 1990s, the small Native community of Akiachak, Alaska, set out to regain control of its land and resources as well as education and other services long provided by the federal government. In 1984, the community established the Akiachak Tribal Court to resolve disputes. In 1990, Akiachak became the first city in Alaska to disband itself and be reconstituted as a Native village government. Government performance improved, and the community levied taxes to support its self-rule. It assumed responsibility for a wide range of services, including trash collection, police and fire protection, and water, sewer, and electric service. It operates its own jail, health clinic, and dock site. It has improved village infrastructure, particularly housing, roads, and community buildings. The Native village manages health care, natural resource, and child welfare programs under Public Law (P.L.) 93-638 contracts, employing more than forty local people in service delivery and other activities. It has built new relationships with other Yup'ik communities in the region and has become a model of what Alaska Native villages can do to improve community welfare and expand the boundaries of self-determination.

Two Approaches to Native Nation Development

These brief tales are part of a much bigger story—a revolution that is underway in Indian Country. As much of the world knows, many of the more than five hundred American Indian nations are poor, and those nations' poverty tears at their social fabrics and cultures. What much of the world doesn't know is that in the last quarter century, a growing number of those nations have broken out of the prevailing pattern of poverty. They have moved aggressively to take control of their futures and rebuild their nations, rewriting constitutions, reshaping economies,

and reinvigorating Indigenous communities, cultures, and families. Today, they are creating sustainable, self-determined societies that work in all dimensions—economic, social, and political.

Some people think this remarkable development is the result of Native nations' entry into the gambling industry, but while gaming has had major impacts on some of these nations, the perception is inaccurate. Nor is economic development happening everywhere. Standards of living on reservations still have a huge gap to close with respect to average Americans' standards of living. Average incomes among Native citizens on reservations in the United States remains less than half the average for all Americans. Nevertheless, since 1990, the economies of Indian nations with gaming and those without have grown on average about three times as fast as the U.S. economy in general (Taylor and Kalt 2005). In short, poverty is still deep and widespread across Native nations, but there are finally signs of progress.

What's the secret of such performance? Is it luck? Is it leadership? Is it education? Having the right resources? Being located in the right place? Is it picking a winning economic project that provides hundreds of jobs and saves the day? How can we account for these breakaway Native nations? Is there an approach to economic, social, and political development that offers promise throughout Indian Country?

Yes, there is such an approach. It is radically different from the approach that dominated both federal policy and tribal efforts for most of the twentieth century. Of these two approaches, one works, and the other doesn't. We call the one that doesn't work the *standard approach*. Our version of it is broadly based on federal and tribal practices developed during the twentieth century and still prevailing in many Native nations today. We call the one that works the *nation-building approach*. It is being invented by Native nations, and our version of it is based on extended research on the breakaway tribes whose economic performances have been so striking over the last twenty-five to thirty years.

In this chapter, we describe these two approaches to development, discuss why one works and the other does not, and suggest how Native nations can move from one approach to the other. The primary source of our thinking is the growing body of research carried out in Indian Country for two decades by the Harvard Project on American Indian Economic Development at Harvard University and, more recently, the Native Nations Institute for Leadership, Management, and Policy at the University of Arizona.¹

The Standard Approach

In the mid-1920s the United States commissioned a major study of economic and social conditions on American Indian reservations. Lewis Meriam of Johns Hopkins University headed the research team, and the result, published in 1928, was one of the first examples of large-scale social science research carried out in the United States. It has since become known as the Meriam Report (Meriam and Associates 1928). The report documented reservation poverty in exhaustive detail. It contributed to the passage of the Indian Reorganization Act (IRA) of 1934—a watershed piece of legislation—and helped precipitate a lengthy federal effort to improve the welfare of America's Indian citizens.

That effort has taken several different forms over the years as the federal government has tried different reservation development strategies. In the last quarter of the twentieth century, a growing number of Indian nations—faced with desperate economic conditions—also joined the effort. And, while material wealth is hardly the be all and end all for Native communities, deeper goals of cultural strengthening and social cohesion are made all but impossible to achieve in the midst of ill health, families in trouble, poor housing, underpaid teachers, and other conditions that make it difficult to just get by. Not surprisingly, many tribal governments moved economic development to the top of their agendas, sometimes complementing federal efforts, sometimes operating at cross-purposes. But in most cases, a single approach dominated both federal and tribal activities—the standard approach. Well-intentioned, it has proven a failure.

Characteristics of the Standard Approach

The standard approach to development of Native nations has five primary characteristics: (1) decision making is short term and nonstrategic; (2) persons or organizations other than the Native nation set the development agenda; (3) development is treated as primarily an economic problem; (4) Indigenous culture is viewed as an obstacle to development; and (5) elected leadership serves primarily as a distributor of resources.

These are generalizations. Not every case of attempted reservation economic development that we describe as following the standard approach follows it in its entirety. Some aspects of the approach might be apparent in some cases, while others may be missing. Additionally, Native nations do not necessarily talk about or perceive their development efforts in exactly these terms. Nonetheless, these characteristics provide an overall description of what federal and tribal development efforts, regardless of intent, frequently have looked like. Far too often, consciously or otherwise, this is how development has been done in Indian Country.

BOX 1
The Standard Approach

- Decision making is short term and nonstrategic.
- Someone else sets the development agenda.
- Economic development is treated as primarily an economic problem.
- Indigenous culture is viewed as an obstacle to development.
- Elected leadership serves primarily as a distributor of resources.

In the standard approach, decision making is short term and nonstrategic. Viewed as a single population, reservation Indians are among the very poorest Americans, with high indices of unemployment, ill health, inadequate housing, and an assortment of other problems associated with poverty (Harvard Project on American Indian Economic Development 2007). The need for

jobs and income is enormous. In an era of self-determination, this situation puts intense pressure on tribal politicians to “get something going!” Combined with disgruntled and often desperate constituents, these grim social and economic conditions encourage a focus on short-term fixes instead of fundamental issues. “Get something going!” becomes “get *anything* going!” It leaves strategic questions such as “what kind of society or community are we trying to build?” or “how do we get there from here?” or “how do all these projects fit together?” for another day that seldom comes.

Short terms of elected office, common in many tribal governments, have similar effects. With only two years in which to produce results, few politicians have incentives to think about long-term strategies, because they will face reelection long before most such strategies become productive. These same factors encourage a focus on starting businesses instead of sustaining them. It’s grand openings, ribbon cuttings, and new initiatives, not second rounds of investment or fourth-year business anniversaries, that gain media attention, community support, and votes at election time. Newly elected leaders who want to make their mark on the community are going to be more interested in starting something new than in sustaining what the previous administration—whom they probably opposed at election time—put in place. This means that prospective businesses, whether genuinely promising or not, often get more attention from tribal leadership than established ones do.

Finally, there is a tendency to look for home runs: Where’s the grand project that will single-handedly create lots of jobs and transform the local economy? Grandiose plans take the place of the potentially more effective—if less dramatic—incremental building of a broadly based and sustainable economic system.

Of course much of this is understandable, given the conditions under which many Native nations operate. The demands on tribal leaders are immense. Much of their time is taken up with day-to-day management, constituent service, and the urgent search for more federal or other resources. And much is simply fire fighting: dealing with the latest funding crisis, the latest threat to sovereignty, the latest programmatic problem, and so forth.² Small wonder that the orientation of tribal leadership is often short term. More than one tribal leader has said, in effect, “Who has time for strategic thinking?”

In the standard approach, someone other than the Native nation sets the development agenda. Some of the same factors that discourage strategic thinking also give non-Natives much of the control over the nation’s development agenda, leading to a top-down, imposed-from-outside development approach. A lot of Native nations are heavily dependent on federal dollars to maintain their governments and social and economic programs for their citizens. This fact alone gives federal decision makers a disproportionate degree of influence in Native nations’ affairs.³ Reinforcing this influence is the fact that few dollars come to Native nations via block grants, a mechanism that would place more decision-making power in Indian hands. Most federal dollars are program specific. The programs themselves are developed in federal offices or Congress, often with little attention to the diversity of Native nations, their circumstances, and their capacities.

In addition, the pressure for quick fixes encourages tribal leaders to search for dollars—any dollars—that might be used to employ people or start enterprises. The development strategy

often becomes “we’ll do whatever we can find funding for.” As tribes search desperately for dollars to maintain reservation communities and programs and cope with the destructive effects of poverty, opportunism replaces strategy: the dollars matter more than the fit with long-term tribal needs, objectives, cultures, or circumstances.

The result is development agendas set by non-Indians through program and funding decisions. In the 1980s, for example, the Economic Development Administration in the U.S. Department of Commerce offered funding for specific development activities, such as building motels (hoping to take advantage of reservation tourism potential) or constructing industrial parks. Urgently searching for jobs and income, many Native nations pounced on such funding opportunities without considering whether these projects made sense in local circumstances or fit long-term strategic goals. Some of these projects succeeded, but a decade later, Indian Country had more than its share of boarded-up motels and empty industrial parks. Even today, many tribal planners, under pressure from tribal councils to generate employment of almost any kind, ransack federal funding announcements looking for anything that might bring more dollars and jobs to their communities. Under the standard approach, every federal program becomes a make-work opportunity.

Of course, federal dollars are often critical to tribal finances and cannot be ignored. A federal program or initiative that employs five people may get five more families through the winter. But by approaching development this way, Native nations leave the strategic component of development to Congress or federal funding agencies, or to whatever lobbyists can snag. Driven by poverty to look for funds wherever they can find them, many tribes spend more energy chasing projects other people think are important than developing their own sense of the nation’s needs, possibilities, and preferences. This is hardly self-determined economic development.

Granted, not all development has proceeded this way, and particularly since the 1960s, many Native nations have sought federal funding for projects that their own people identified as important (for example, Bee 1981; Castile 1974). Here, as with all parts of the standard approach, we are generalizing from diverse cases. The critical issue is not the source of funds and capital but who is in the driver’s seat, setting the direction development efforts take. Development projects, programs, and policies in Indian Country too often have followed someone else’s agendas and responded to non-Native initiatives. This has put Native nations in a dependent and reactive, instead of self-determined and proactive, mode.

In the standard approach, economic development is treated as an economic problem. In the face of persistent poverty that puts cultures and communities under stress, it should hardly seem odd that much of the conversation about development in Indian Country is preoccupied with economic factors—extracting natural resources, lobbying for more money, promoting education, worrying about proximity to markets, landing the next grant, and so forth. Furthermore, much of that conversation is typically about jobs and income, the economics of daily life. The prevailing idea seems to be that if only Native nations could overcome the market or capital or educational or locational obstacles they face, jobs and income would follow.

This is not entirely wrong. Economic factors loom large in development processes and typically set limits on development choices. Big successes in tribal gaming, for example, have

depended heavily a nation being located near major gaming markets (Cordeiro 1992; Cornell et al. 1998). Obviously, natural resource endowments or the educational level of the nation's labor force have similarly significant impacts on development possibilities, and finding adequate financing is a recurrent problem for tribal planners.

What is significant about the standard approach, however, is what it *doesn't* include. Two issues in particular are often left out. The first is *strategic* goals. In focusing on short-term increases in jobs and income, the development conversation tends to ignore longer-term questions about the sort of society the Native nation is trying to build and how that might be affected by different development strategies.

Second, this conversation typically ignores *political* issues. By this we mean the organization of government and the environment of governing institutions in which development has to proceed. Can the tribal courts make decisions that are free of political influence? Can the legislature keep enough distance from tribal businesses to allow them to flourish? Are the appropriate codes in place, are they fair, and are they enforced? Is the nation's political environment one that encourages investors—anyone, including the nation's own citizens, with time or energy or ideas or money—to bet on the nation's future? Or is it an environment in which both tribal citizens and outsiders feel their investments are hostage to unstable, opportunistic, or corrupt politics? In short, are tribal governance institutions adequate to the development task? In its focus on economic factors, the standard approach ignores institutional and political issues and thereby misses entirely the key dynamic in economic development.

In the standard approach, Indigenous culture is seen as an obstacle to development. In 1969 the BIA, in a collection of papers on reservation economies, wrote that “Indian economic development can proceed only as the process of acculturation allows” (U.S. BIA 1969, 333). Indigenous cultures, in other words, were seen as obstacles to development: you are poor because your culture gets in the way. In more recent years, this viewpoint has seldom been made so explicit, but it has remained a recurrent theme (for example, Presidential Commission on Indian Reservation Economies 1984, 1:41; 2:33, 36-37, 117). Even when Indigenous cultures are viewed positively, they are often conceived of primarily as resources that can be sold through tourism or arts and crafts. In the standard approach, traditional products are to be supported, but traditional relationships or behaviors are to be discouraged.

The standard approach thus misses the fundamental role culture can play as a guide to organization and action. There is growing evidence, for example, that organizational and strategic fit with Indigenous culture is a significant determinant of development success across Native nations (for example, Cornell and Kalt 1995, 1997b). The standard approach makes the assumption that Indigenous development must follow someone else's cultural rules. But in doing so, it ignores evidence that there is more than one cultural road to success. Indigenous culture may be not an obstacle, but an asset. The Mississippi Choctaw are proud to proclaim that their strategy of community-owned businesses today flows from a long history of such economic organization. The Salish and Kootenai Tribes didn't suddenly discover in the last half of the twentieth century that they cared deeply about the land and its resources and that they could organize themselves to manage such assets. Such values and strategies are at the heart of their histories.

In the standard approach, elected leadership serves primarily as a distributor of resources. In the standard approach, tribal leadership is concerned much of the time with distributing resources: jobs, money, housing, services, favors, and so forth. There are several reasons for this. First, elected leadership controls most of those resources. Most employment is in tribal government; most programs are federally funded through grants to tribal governments; and many business enterprises are tribally owned. This means that tribal governments—and, therefore, elected tribal leaders—are the primary distributors of the resources that tribal citizens need, especially jobs.

Second, stressful socioeconomic conditions put enormous pressure on Native governments to distribute those resources on a short-term basis. If there is money around and citizens are desperate, support for long-term investment drops. Short-term expenditures—hiring tribal members even when they do not add to a program or enterprise’s productivity and thereby threaten its sustainability, making per capita payments now even though the ball fields or the roads or the sewer pipes are decaying—can bring near-term political support. Tribal politicians often get more electoral support from the quick distribution of “goodies” than they do from more prudent investment in long-term community success and security. This, in turn, reflects a local attitude toward tribal government that sees it simply as a pipeline for resources instead of as a force for rebuilding the nation. The federal government has inadvertently encouraged this view by funneling programmatic resources to tribes while limiting their power to determine how those resources are used, forcing them to spend federal funds according to federal priorities and guidelines.

Finally, access to such scarce resources gives tribal politicians a powerful incentive to use those resources to stay in office. This leads to patronage, political favoritism, and in some cases, corruption. It reduces politics to a battle among factions over tribal government resources that they can distribute to friends and relatives. People vote for whomever they think will send more resources in their direction. The honorable role of the leader who serves the people as a whole tends to disappear under these conditions, and governance becomes a process of moving resources around among political supporters.

The Role of Non-Indigenous Governments in the Standard Approach

What role do non-Indigenous governments—in particular the federal government of the United States and the federal and provincial governments of Canada—play in the standard approach?⁴ They hold most of the important agenda-setting and decision-making power. The top-down effect of this is most obvious in the funding process. Tribes may receive the authority to determine how funds will be spent *within program guidelines*, but the big decisions about priorities and program design are made elsewhere. P.L. 93-638 in the United States, for example—while billed as “self-determination”—in many cases simply enlarges tribal administrative control over the implementation of federally set priorities and protocols. Native nations can take over the administration of federal programs, but they have little ability to determine what the programs look like or whether the policies that drive those programs are appropriate.

First Nations in Canada face a similar situation in struggling to expand Indigenous self-government, which federal and provincial governments have tended to treat as merely self-

administration. While First Nations may have increased their control over how already-determined programs are implemented and already-allocated funds are administered in the field, the major decisions and priorities are set in Ottawa or in provincial capitals, which sometimes seem to treat First Nation governments as branch offices of federal or provincial departments.

It is not difficult to understand why non-Indigenous governments would promote this approach. They recognize the demands of Indigenous peoples for greater control over their own affairs, but they also face a commonplace set of bureaucratic imperatives: protect the budget, avoid newsworthy disasters, be accountable to legislatures and managerial higher-ups, and so forth. Turning over real power to Native nations is threatening: What if they screw up? What will taxpayers say?

But the cost of this approach has been extremely high. It has crippled Indigenous development efforts and has led, in the long run, to more poverty, more problems, and larger burdens on taxpayers in the external economy. Truly effective programs are more likely to emerge when decision makers are held accountable to and by those whose lives and living conditions are at stake. Ultimately, the question to be asked is how to improve the lives of Native nations' citizens. A larger role for Native governments in decision making and resource allocation would acknowledge that Native nations themselves may have a better idea of what's wrong and of what the priorities should be, and would allow those nations to allocate resources where they feel they are most needed.

Expanding opportunities for Native nations to set their own priorities and manage dollars, programs, and systems in their own way does not end accountability; it shifts the emphasis toward block grants that avoid dictating what Native nations can do and toward making Native decision makers accountable to their own citizens, rather than to distant federal authorities. This is not a radical concept. It lies behind the devolutionary strategy that has governed relations between the federal government and the fifty U.S. states for the last quarter century. The outstanding performance of nations such as the CSKT testifies to the payoffs and to why outcomes improve: when CSKT leaders aggressively assert that they will take over all federal programs, they say to the citizens of their own nation, in effect, "If we don't perform, hold *us* accountable."

Planning, Processes, and Results under the Standard Approach

In a rapidly changing and globalizing world, the economic development of nations is not planned but is an organic process. It grows from the seeds of individuals' and communities' desires to shape their own futures and improve the social and economic quality of their lives. Those seeds flourish when systems are put in place that reward and honor initiative, channel efforts and investment into productive activities, and avoid holding peoples' efforts and investments as hostages to politics.

The development process under the standard approach sees economic development as a very different sort of problem. Economic development is approached by tribal government as if it were just another program, and development efforts tend to follow the six-step process set out in box 2. The tribal president, chief, chair, or council, under intense constituent pressure to "get something going," calls in the tribal planner. "We need to get something going. Go find some funding and create some jobs." The planner looks around for whatever is being funded by the

federal government or other sources and then sends out a flurry of grant proposals. If the planner is lucky, some of those proposals are approved, and the council decides to go ahead with whatever can be funded. Tribal politicians staff the funded projects with their political supporters and then watch closely to see that things are done the way they want, micromanaging both enterprises and programs. Meanwhile, everybody prays that *this* time, something works.

BOX 2
The Six-Step Development Process
under the Standard Approach

1. The council, chair, president, or chief tells the planner to identify business ideas and funding sources.
2. The planner applies for federal grants and chases other outside sources of funds.
3. The nation starts whatever it can find funding for.
4. Politicians appoint their supporters to run the funded projects.
5. Elected leaders micromanage enterprises and programs.
6. Everybody prays that something works.

The results of the standard approach, predictably, have been poor. Many Native nations have long histories of failed enterprises, histories that undermine community self-confidence and result in frustration and hopelessness. The short life of many projects and enterprises encourages a politics of spoils in which reservation politicians, knowing that nothing much lasts very long, try to wring out of enterprises all the patronage and money they can before the enterprises go under. Reservation economies become highly dependent on federal and other outsiders' dollars and decision making, a situation that in and of itself undermines self-determination. There's a brain drain as a lot of the people with good ideas—particularly younger citizens—leave home for somewhere else that is more stable, desperate to support their families and discouraged by political favoritism, bureaucratic hassles, and the inability of the Native nation's government to deal with basic problems. Patterns of failure, mismanagement, and corruption encourage outside perceptions of Indigenous incompetence and community chaos, making it even harder to defend tribal sovereignty. The economic result is continued poverty.

BOX 3
Typical Results of the Standard Approach

- failed enterprises
- a politics of spoils
- an economy highly dependent on federal dollars and decision making
- brain drain
- an impression of incompetence and chaos that undermines the defense of sovereignty
- continued poverty and cultural stress

This is not to say that the approach has absolutely no successes to its credit. Sometimes a determined manager, a brilliant leader, or superhuman efforts can overcome its weaknesses. Sometimes an enlightened council keeps its hands off an enterprise and lets it be managed for long-term survival. Sometimes a federal program finds a fit with tribal concerns and objectives and produces results. Sometimes a Native nation has an easy-to-tap monopoly on gaming within an urban region and can use gaming revenues to paper over the fact that nothing else is going on. Sometimes a nation just gets lucky. But overall, the standard approach to economic development has served Indian Country badly. It is fatally flawed, it seldom works, and it should be abandoned.

What's the alternative?

The Nation-Building Approach

The poor results of the standard approach do not arise because tribal politicians are bad people, because planners are lazy, or because project and program managers are poorly trained. Indeed, the vast majority of elected officials of Native nations are dedicated to improving their communities; tribal planners are harried but hard workers; and managers spend countless hours trying to improve enterprise and program performance. Native nations and their leaders clearly can get it right. The vignettes of Native success that begin this chapter show that things can be turned around, sometimes amazingly quickly. The problem is not the people; it is the approach itself and the system that elected officials, planners, and managers must work within.

In the last quarter of the twentieth century, a number of Native nations invented a very different approach to Native economic development, and more and more nations appear to be recognizing its ingredients and value. This nation-building approach has a twin focus—conscious or unconscious—on asserting Indigenous rights to govern themselves and building the

foundational, institutional capacity to exercise those rights effectively, thereby providing a fertile ground and healthy environment for sustained economic development.

Characteristics of the Nation-Building Approach

Once again, we can generalize from various cases and details to identify five primary characteristics of the nation-building approach: (1) Native nations comprehensively assert decision-making power (practical sovereignty, or self-rule); (2) nations back up decision-making power with effective governing institutions; (3) their governing institutions match their own political cultures; (4) decision making is strategic; and (5) leaders serve as nation builders and mobilizers. Distinctively, the nation-building approach sees the challenge of development as one of creating an *environment* in which development can take hold rather than an endless chase after funding and projects.

As with the standard approach, this summary is a generalization, an attempt to identify critical characteristics of a distinctive way of pursuing development. In practice, there is plenty of variation within the nation-building approach. Few Native nations, or other nations, offer textbook examples of it. But a growing number of Native nations are pursuing key elements of this approach, and the evidence indicates that the closer they come to it, the more likely they are to achieve sustained economic development that serves their own priorities.

BOX 4 The Nation-Building Approach

- Native nations assert practical sovereignty.
- Native nations back up sovereignty with effective governing institutions.
- Governing institutions match Indigenous culture.
- Decision making is strategic.
- Leaders are dedicated to nation building.

In the nation-building approach, Native nations assert decision-making power. The nation-building approach begins with practical sovereignty, or self-rule, which we define as decision-making power in the hands of Native nations. These nations have not always had such power. In North America, we can identify four stages in the evolution of tribal sovereignty: original, legal, policy, and practical.

BOX 5
The Evolution of Tribal Sovereignty in the United States

| <u>Form of Sovereignty</u> | <u>Timing</u> | <u>Scope</u> |
|----------------------------|---------------|--|
| as an original matter | Inherent | all Native nations |
| as a legal matter | c. 1820s-30s | all Native nations |
| as a policy matter | c. 1975 | federally recognized Native nations |
| as a practical matter | 1970s- | self-selected Native nations |

Originally, Native nations had inherent sovereignty, which arose from their existence as nations predating colonization by the Spanish, English, French, Russians, and others—and, ultimately, Americans and Canadians. As a matter of law, the United States has recognized a substantial degree of tribal sovereignty since at least the early nineteenth century and the U.S. Supreme Court decisions commonly known as the Marshall trilogy.⁵ Subsequent treaties, legislation, and judicial decisions modified this recognition in various ways, and over time tribal sovereignty—as a legal matter—has been increasingly constrained, but a significant legal foundation has survived (Wilkins 2002).

Despite this recognition of sovereign status, in practical terms the creation of the reservation system in the United States and the reserve system in Canada meant a dramatic loss of Native nations’ control over their own affairs. Over the course of the nineteenth century and into the twentieth century, U.S. and Canadian federal governments assumed expanding control over Native lands and communities, making the laws, running the programs, and allocating the resources. Indigenous sovereignty had a place in law, but it had no place in federal policy.

In the United States, the IRA began a gradual reversal of this trend in the 1930s. While the IRA brought little substantive increase in tribal authority, by encouraging and endorsing tribal governments and their constitutions, it at least provided federally recognized mechanisms through which Native nations could begin to assert some governing power. The reversal was fragile, as the antitribal “termination” policy of the 1950s showed, but it gained momentum in the 1960s and 1970s with the shift to a federal policy of tribal self-determination. Fired by Indian rights activists and tribal leaders’ resurgent demands for self-rule, self-determination became explicit federal policy under the Indian Self-Determination and Education Assistance Act of 1975 (P.L. 93-638). As the federal government grudgingly accepted the principle that Native nations should have extensive control over their own affairs, tribal sovereignty became more than simply a matter of law. As a matter of policy, and at least on paper, Native nations could now determine what was best for them.

This was a crucial development. While there is ample evidence that the federal government's notion of self-determination was a limited one (Barsh and Trosper 1975; Esber 1992), and many federal bureaucrats, particularly in regional offices of the BIA, maintained a fierce grip on decision-making power, the door to practical sovereignty—genuine self-rule—had been opened. Over the next two decades, a growing number of Native nations began to force their way through that door, taking over the management of reservation affairs and resources and making major decisions about their own futures (Wilkinson 2005). Tribal sovereignty gradually moved beyond law and policy to *practice* as Native nations, taking advantage of the self-determination policy, began exercising the sovereignty promised by law but denied by federal paternalism and control.

This development—the move to practical sovereignty—turns out to be a key to sustainable development for two primary reasons. First, practical sovereignty puts the development agenda in Native hands. When federal bureaucrats, funding agencies, or some other outsiders set the Native development agenda, that agenda inevitably reflects their interests, perceptions, and cultures, not those of Native nation citizens. When decisions move into tribal hands, agendas begin to reflect tribal interests, perceptions, and cultures. Top-down, imposed strategies are replaced by strategies that rise up out of Native communities themselves, tuned to local conditions, needs, and values.

Second, self-governance means accountability. It marries decisions and their consequences, leading to better decisions. In the standard approach to development, outsiders make the major decisions about strategy, resource use, allocation of funds, and so forth. But if those outsiders make bad decisions, they seldom pay the price. Instead, the Native community pays the price. This means that outside decision makers face little in the way of compelling discipline; the incentives to improve their decisions are modest. After all, it's not their community's future at stake. But once decisions move into Native hands, then the decision makers themselves have to face the consequences of their decisions. Once they're in the driver's seat, tribes bear the costs of their own mistakes, and they reap the benefits of their own successes. As a result, over time and allowing for a learning curve, the quality of their decisions improves. In general, Native nations are better decision makers about their own affairs, resources, and futures because they have the largest stake in the outcomes.

There are concrete, bottom-line payoffs to self-rule. For example, a Harvard Project study of seventy-five American Indian nations with significant timber resources found that, for every timber-related job that moved from BIA forestry to tribal forestry—that is, for every job that moved from federal control to tribal control—prices received and productivity in the tribe's timber operations rose (Krepps and Caves 1994). On average, Native nations do a better job of managing their forests because these are *their* forests. There is suggestive evidence of similar results when Native nations assume greater control of their own law enforcement, health services delivery, and housing (see, for example, Chandler and Lalonde 1998; Cornell 2005a; Dixon et al. 1998; Goldberg and Champagne 2006; Health Canada n.d.; Hiebert et al. 2001; Moore, Forbes, and Henderson 1990; Wakeling et al. 2001).

But the evidence is even broader. From tribal business corporations to foster care for children, from schools to water treatment facilities, the premier programs and projects in Indian Country are initiatives of *self-government* that break away from the standard approach and put

the Native nation in control of major community and economic development decisions.⁶ It was not an outside authority, for example, that stepped in and changed the CPN constitution so that investors could operate in a stable and fair environment; the nation figured out what needed to be done and took responsibility for doing it. It was not a well-meaning federal authority that stepped in and handed over control of all programs to the CSKT; the tribes' own leadership took control and took on the challenge of being held accountable. After twenty years of research and work in Indian Country, we cannot find a single case of sustained economic development in which an entity other than the Native nation is making the major decisions about development strategy, resource use, or internal organization. In short, practical sovereignty appears to be a *necessary* condition for a Native nation's economic development. But it's not the only necessity.

In the nation-building approach, Native nations back up Indigenous control with effective governing institutions. Rights of self-determination and self-rule are not enough. If sovereignty is to lead to economic development, it has to be exercised effectively. This is a matter of governing institutions.

Why should governing institutions be so important in economic development? Among other things, governments put in place the rules of the game—the rules by which the members of a society make decisions, cooperate with each other, resolve disputes, and pursue their jointly held objectives. These rules are captured in shared culture, constitutions, bylaws, and other understandings about appropriate distributions of authority and proper ways of doing things. They represent agreement among a society's members about how collective, community life should be organized.

These rules—these patterns of organization—make up the environment in which development has to take hold and flourish. Some rules discourage development. For example, a society whose rules allow politicians to treat development as a way to enrich themselves and their supporters discourages development. A society in which judicial decisions are politicized discourages development. A society in which day-to-day business decisions are made according to political criteria (for example, according to who voted for whom in the last election), instead of merit criteria (for example, according to who has the necessary skills to run a good business, regardless of who their friends or relatives are), discourages development. And the reverse is true as well. When societies prevent politicians from enriching themselves from the public purse, provide fair court decisions, reward ability instead of political support, and uphold other such rules, sustainable development is much more likely.

In other words, having effective governing institutions means putting in place rules that encourage economic activity that fits the community's *shared* objectives. Whatever those objectives might be, several features of institutional organization are key to successful development.

- Governing institutions must *be stable*. That is, the rules don't change frequently or easily, and when they do change, they change according to prescribed and reliable procedures.⁷
- Governing institutions must *protect day-to-day business and program management from political interference*, keeping strategic decisions in the hands of elected leadership and putting management decisions in the hands of managers.

- Governing institutions must *take the politics out of court decisions* and other methods of dispute resolution, sending a clear message to citizens and outsiders that their claims and their investments will be dealt with fairly.
- Governing institutions must *provide administration that can get things done* reliably and effectively.

Again, there is substantial evidence in support of these requirements. For example, Harvard Project and Native Nations Institute studies of tribally owned and operated businesses on American Indian reservations have found that those enterprises in which tribal councils have had the wisdom to insulate day-to-day business management from political interference are far more likely to be profitable—and to last—than those without such insulation (Cornell and Kalt 1992; Jorgensen and Taylor 2000; Grant and Taylor 2007). In the long run, this means sustainable businesses and more jobs for the nation's citizens.

Similarly, research on economic development in Native and other nations around the world shows that, holding other factors constant, nations whose court systems are insulated from political interference—for example, in which the tribal council has no jurisdiction over appeals and in which judges are not council controlled—have significantly lower levels of unemployment and better job-creating investment records than nations in which the courts are under the direct influence of elected officials (Cornell and Kalt 1992, 2000; cf. La Porta et al. 1998). An independent court sends a clear message to potential investors—whether outsiders or tribal citizens—that their investments will not be hostages to politics or corruption.

When Native nations back up sovereignty with stable, fair, effective, and reliable governing institutions, they create an environment that is favorable to sustained economic development. In doing so, they increase their chances of improving community well-being.

In the nation-building approach, governing institutions match Indigenous political culture.

One of the problems many Native nations confront as they attempt to break out of the standard approach is their dependence on institutions that they did not design and that reflect another society's ideas about how decision making and dispute resolution should be organized and exercised. In the United States, for example, most tribal governments organized under the IRA, at the behest of federal bureaucrats, adopted a simple governance model drawn from Western ideas that were applied, one size fits all, across Native nations with very different political traditions. Historically, some Native nations had strong chief executive forms of government in which decision-making power was concentrated in one or a few individuals; others dispersed authority among many individuals or multiple institutions with sophisticated systems of checks and balances and separations of powers. Still others relied on spiritual leaders for political direction, while some relied on consensus-based decision making. Native political traditions, in other words, were diverse. For many Native nations, the result of essentially imposed governance institutions and methods has been mismatches between formal structures of government and Indigenous beliefs about the legitimate use and organization of governing authority. No wonder many Native nations see their own governments as foreign and illegitimate.

Building legitimate institutions—laws, constitutions, dispute-resolution mechanisms, administrative agencies, personnel policies, and so on—means tapping into Indigenous political

cultures. This does not necessarily mean going back to precolonial political systems and traditions. The crucial issue is the degree of match or mismatch between formal governing institutions and *today's* Indigenous ideas—whether these are survivals from older traditions or products of the nation's contemporary experience—about the appropriate form and organization of political power. Where cultural match is high, economic development tends to be more successful. Where cultural match is low, the legitimacy of tribal government also tends to be low, governing institutions consequently are less effective, and economic development falters (Cornell and Kalt 1992, 1995, 2000).

The requirement of cultural match is not a blank check. It is not as if a Native nation is guaranteed governing success if all it does is find systems and institutions of self-government that resonate with the culture of the people. Governing systems and institutions also have to do an effective job of governing. The Indigenous governments of long ago were developed to solve the problems of the times. The times have changed. In some cases, traditional forms and practices may be inadequate to the demands of today. If so, the challenge for Native nations is to innovate: to develop governing institutions that still resonate with deeply held community principles and beliefs about authority, but that can meet contemporary needs.

In the nation-building approach, decision making is strategic. One of the primary characteristics of the standard approach to Native economic development is its quick-fix orientation. The alternative is strategic thinking: approaching the development challenge not by asking “what can be funded?” but by asking “what kind of society are we trying to build?” and “how do we put in place the systems and policies that will attract and hold the people and the capital that the nation needs?” Such a strategic approach involves a shift

- from reactive thinking to proactive thinking (not just responding to crises, but trying to gain some control over the future);
- from short-term thinking to long-term thinking (generations from now, what kind of society do you want?);
- from opportunistic thinking toward systemic thinking about larger goals (focusing not on what can be funded, but on whether various options and strategies fit the society you're trying to create);
- from a narrow problem focus to a broader societal focus (fixing not just problems and projects but society and its cultural, social, political, and economic health).<\>

Such changes require that a community's leaders determine long-term objectives, identify priorities and concerns, and take a hard-nosed look at the assets the nation has to work with and the constraints it faces. The result is a set of criteria by which specific development options can be analyzed: Does this option support the nation's priorities, fit with its assets and opportunities, and advance its long-term objectives? If not, what will?

In the nation-building approach, leaders serve primarily as nation builders and mobilizers. Leadership's primary concern in the standard approach is the distribution of resources: citizens have needs and desires, and government officials gain support by distributing resources to meet

those needs and desires. In the nation-building approach, leadership's primary concern shifts to putting in place the institutional and strategic foundations for sustained development and enhanced community welfare.

This often means a loss of power for some people and institutions, but it also means empowering the nation as a whole. The standard approach empowers selected individuals (those who hold positions that control resources) but fails to empower the *nation*. The chair, president, chief, or members of the nation's council get to make the decisions, distribute resources, and reward supporters, but the nation as a whole suffers as *its* power—its capacity to achieve its goals—is crippled by an environment that serves the individual interests of office holders but not the interests of the community. Equally crippling is a community attitude, encouraged by the standard approach, that sees government not as a mechanism for rebuilding the future but simply as a set of resources that one faction or another can control.

Under the nation-building approach, leadership focuses on developing effective governing institutions, transforming government from an arena in which different factions fight over resources into a mechanism for advancing national objectives. What's more, in the nation-building approach, leadership is not limited to elected officials. It can be found anywhere: in the schools, in families, in local communities, in businesses and programs. Leadership is found in the responsibility that citizens take for the future of the nation, replacing the outsider-generated, top-down standard approach with Indigenously generated responses to the nation's challenges. The distinctive features of such leadership are public spiritedness and the conviction that empowering the nation as a whole is more important than empowering factions or individuals. As much as anything else, leaders in the nation-building approach are educators, helping citizens understand the tasks involved in rebuilding the nation.

The kind of leadership a nation has is determined in part by its governing institutions. When a nation's government is seen by the people as legitimate, being an elected official becomes a position of honor; as a result, the nation-building approach can attract capable leaders who seek to promote the nation's welfare. On the other hand, institutions that allow politicians to serve themselves—to advance their own agendas or factions by, for example, interfering in court decisions—will encourage self-interested and counterproductive leadership. It may take assertive and visionary leadership to put in place strong governing institutions, but once those institutions are established, they in turn will encourage better leadership.

The Role of Non-Indigenous Governments in the Nation-Building Approach

In the nation-building approach, non-Indigenous governments move from a decision-making role in Native affairs to an advisory and resource role. In practical terms, this involves the following:

- A programmatic focus on *institutional* capacity building, assisting Native nations with the development of governmental infrastructures that are organized for practical self-rule, that respect Indigenous political culture, and that are capable of governing well.
- A shift from program and project funding to block grants, thereby putting decisions about priorities in Native hands and allowing the citizens of Native nations to hold their governments accountable.

- The development of program evaluation criteria that reflect the ability of Native nation governments to meet the needs and concerns of their citizens rather than the concerns of funding agencies and their constituencies.
- A shift from decision maker to consultant so that Native nations are assisted by outside governments but remain in the driver's seat.
- Recognition that self-governing nations will make mistakes, and that sovereignty involves the freedom to make mistakes, to be accountable for them, and to learn from them.

One of the most difficult things for non-Indigenous governments to do is to relinquish control over Native nations. But this control is the core problem in the standard approach to development. As long as non-Indigenous governments insist on calling the shots in the affairs of Indigenous nations, they must bear responsibility for those nations' continuing poverty. Only when outside governments let go of control will the development potential within Native nations be released.

Even when this happens, however, the relationship with outside governments remains critical. For decades, overbearing federal policy has kept Native governments in the position of dependents, often lobbying, if not begging, for programs and dollars and designing their systems to maximize the effectiveness of that effort. The nation-building approach calls for the development of truly government-to-government relations. For Native governments, this means being staffed and armed with the talent and the information needed to hold one's own technically, legally, and managerially with the non-Indian governments at the table when police jurisdiction is being determined, natural resources are being threatened or allocated, or intergovernmental squabbling is discouraging economic development.⁸

The Development Process and Its Results under the Nation-Building Approach

The development process under the nation-building approach is very different from the process under the standard approach. It has six steps, which may occur in sequence or simultaneously: (1) asserting decision-making power, (2) backing up that power with effective governing institutions, (3) establishing a strategic orientation and objectives, (4) crafting policies that support those strategic objectives, (5) choosing appropriate projects and programs, and (6) implementing them.

BOX 6
The Development Process
under the Nation-Building Approach

- asserting decision-making power
- building capable governing institutions
- establishing a strategic orientation and objectives
- crafting policies that support those objectives
- choosing appropriate development projects and programs
- implementing projects and programs

Native nations operating under the standard approach tend to pursue development by focusing on steps 1, 5, and 6—on sovereignty (often through litigation) and on choosing projects and launching them—ignoring the need for effective institutions, strategies, and policies. The development conversation tends to be not about growing an economy but about projects, and the goal is to land the next one. Yet without the other steps—building capable institutions, figuring out where you want to go, and putting in place the policies that can get you there—projects seldom last.

This is one of the places where leadership’s role in development is critical. It takes visionary and effective leadership to reorient the development conversation and change the development process so that the community embraces all six steps in the nation-building approach. Leaders can help refocus the nation’s energy on building societies that work—economically, socially, culturally, politically. Often, the critical change required in the development conversation is a shift away from blame (where citizens blame each other or themselves for development failure, saying, “if only we could rediscover our true Indigenous values and heritage, we could develop”) and away from the expectation of outside help (“if only the feds would live up to their treaty and trust obligations, we could develop”). While the latter view in particular expresses a proper goal (getting outside governments to live up to their obligations), the problem with these conversations is that success does not depend on all the people in a community seeing things the same way or on other governments’ proper behavior. The nation-building conversation, on the other hand, basically says, “Maybe the reason things aren’t going well around here is that we’re trying to run ourselves with systems and institutions that were imposed by someone else or that simply don’t fit us or our problems.”

Research evidence indicates that the nation-building approach is far more likely to be productive than the standard approach. On the economic side, it promises more effective use of the nation’s resources and substantially increased chances that the community will experience successful economic development. On the cultural side, it builds on the nation’s own ideas about how things should be done and puts the nation more in control of the community impacts of development strategies, enterprises, and projects. It also can generate the resources and opportunities needed to ward off the culturally destructive effects of poverty. On the political

side, it recognizes that the best defense of sovereignty is its effective exercise. Native nations that govern well are far less vulnerable to outside attacks on their right to govern. Enemies of Indigenous self-rule may still be able to find cases of corruption or incompetence in Native governments, but it is more difficult for them to use such anecdotal evidence to undermine all Native nations' rights to govern themselves. As more and more Native nations become effective governors of their own communities, they change the prevailing picture of Indigenous peoples and effectively defend the rights on which their own success depends.

BOX 7

**Results under the Nation-Building
Approach to Development**

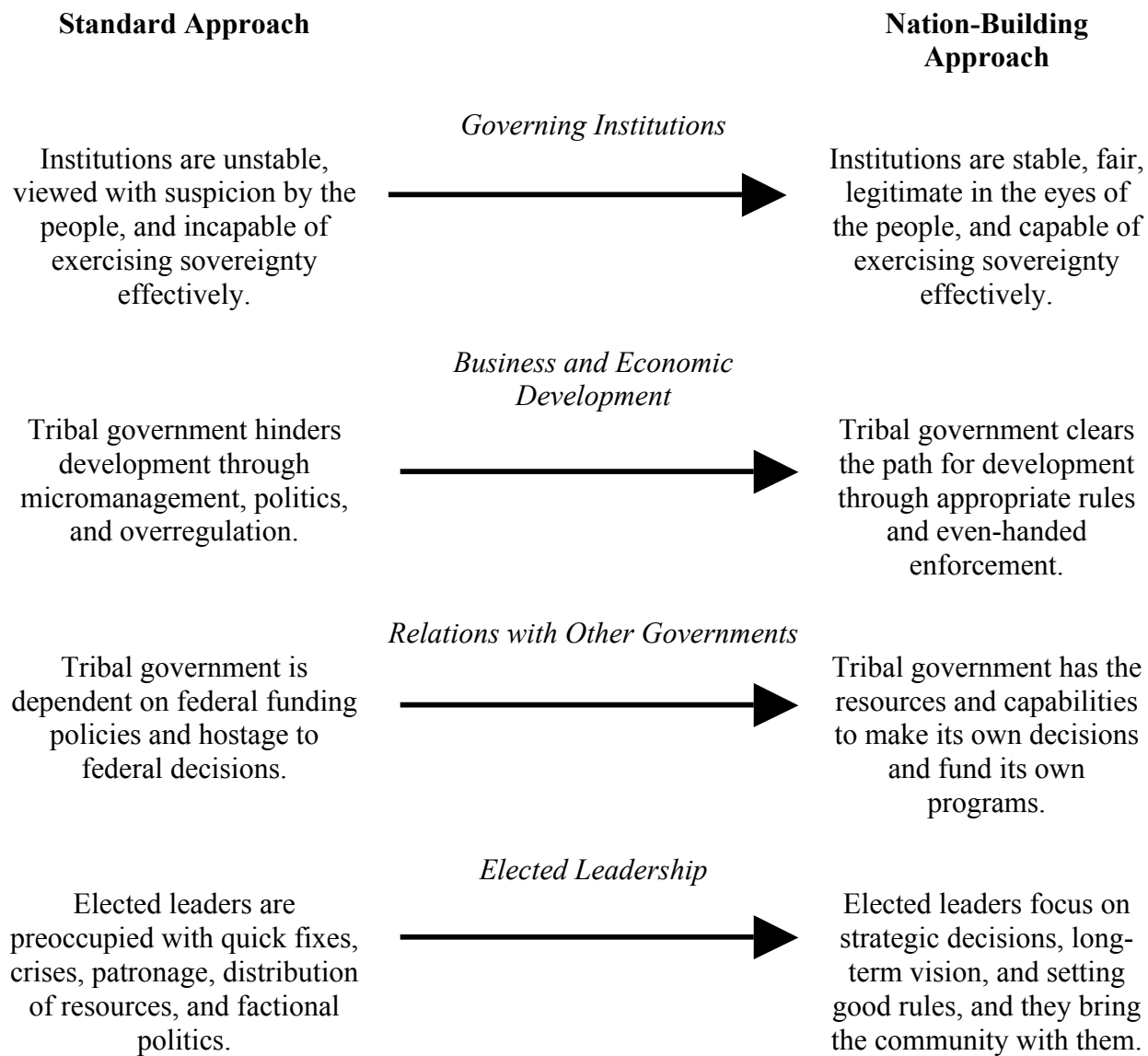
- more effective access to and use of resources
- increased chances of sustained and self-determined economic development
- more effective defense of sovereignty
- societies that work—economically, socially, culturally, politically

Where Does the Nation Stand?

The two approaches we've described represent opposite ends of a continuum. Some nations are closer to one end, stuck in the standard approach to development. Others are closer to the other end, engaged in rebuilding themselves. Still others are somewhere in the middle, acting in some cases according to the standard approach but struggling to do things differently.

A Native nation moving toward the nation-building approach can profitably ask where it presently stands. Figure 1 suggests a scale for self-assessment along four dimensions of self-governance: governing institutions, business and economic development, intergovernmental relations, and leadership. We could add others, but these illustrate some important differences between the two approaches. With the social, political, cultural, and economic well-being of Native communities at stake, the evidence says that the challenge is to push continuously toward nation building. The remaining chapters of this book examine choices and strategies that are available and increasingly being used by Native nations as they address this challenge.

FIGURE 1
Where Does The Nation Stand?



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Notes

1. For summary treatments and some examples of the research on which this chapter is based, see Cornell and Gil-Swedberg (1995), Cornell and Kalt (1992, 1995, 1997a, 1997b, 1998, 2000, 2003), Jorgensen (2000), Jorgensen and Taylor (2000), Kalt (2006), Krepps and Caves (1994), and Wakeling et al. (2001). The Native Nations Institute is in part an outgrowth of Harvard Project work; the two organizations share objectives and some staff and work closely together.
2. For a discussion of the typical activities of tribal leaders, see Begay (1997).
3. The pattern of external control was at least partly broken in the 1960s and 1970s when Community Action and other programs associated with the War on Poverty allowed tribes to apply directly to various Washington agencies for funds without going through the BIA. Native nations were able to search for programs that better fit their needs and break some of the bureaucratic grip the BIA had on their affairs. However, these programs did not significantly undermine the concentration of decision-making power in federal hands. See Bee (1981, ch. 5), Castile (1998, ch. 2), and Levitan and Hetrick (1971).
4. State governments in the United States historically have been much less involved in Indigenous economic development than provincial governments have been in Canada. However, this has recently been changing in the United States owing to increased efforts to devolve power from the central government toward state and local bodies. For discussion of this trend and its implications for Indian nations, see Cornell and Taylor (2000), Hicks (2007), and the papers in Johnson et al. (2000, 2002).
5. The Marshall trilogy is a set of U.S. Supreme Court cases decided under the leadership of Chief Justice John Marshall in 1823, 1830, and 1832. See Deloria and Lytle (1983).
6. See the descriptions of programs, enterprises, and projects documented by the Honoring Contributions in the Governance of American Indian Nations (Honoring Nations) program of the Harvard Project on American Indian Economic Development (1999, 2000, 2002, 2003, 2005).
7. Note the emphasis here on stability in the *rules*, not necessarily stability in the personnel. In general, unpredictable rules are more damaging to development than changes in decision makers are.
8. See, for example, the case of the Flandreau Police Department, the Yukon River Inter-Tribal Watershed Council, the Columbia River Inter-Tribal Fish Commission, the Idaho Gray Wolf Recovery Program of the Nez Perce Tribe, and the Swinomish Cooperative Land Use Plan (Harvard Project on American Indian Economic Development (1999, 2000, 2002, 2005)).

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