

For generations, schemes to build an economy on America's 300-odd Indian reservations have failed. Throwing money at the problem hasn't helped. What will?

Help wanted— work, not handouts

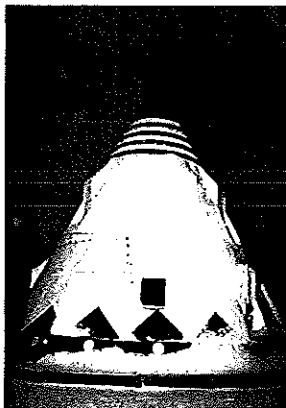
By James Cook

TWELVE MILES beyond the eastern edge of the Rockies, where the peaks of Glacier National Park give way to the high plains, sprawls the town of Browning, Mont., altitude 4,366 feet, population 2,800. Browning looks like the trash can of the West, a low-lying jumble of trailers, cinder-block houses and peeling frame buildings, its streets so rutted and potholed that its current mayor was elected on a platform for filling them in.

At 10:30 of a late summer morning, Browning is still half asleep. You see a few pickup trucks pulled up in front of the Circle K convenience store, a line of Indians returning last night's videocassettes at the local theater, and a falling-down drunk trying to cross the street half a block away. Business is so slack that Browning's only bank folded four years ago.

Browning is not just another back-country western town. It symbolizes the failure of a \$30 billion experiment in social engineering, an experiment that failed—as all such experiments seem doomed to fail.

Browning is the headquarters of the 1.5-million-acre Blackfeet Indian reservation. For generations the Blackfeet were horsemen, hunters and fighters, nomads who burst out of the Canadian shield 200 years ago and drove the resident Salish and Kootenai tribes westward beyond what is now Glacier National Park. The most obvious reminders of the Blackfeet's past is the Museum of



the Plains Indian on the western edge of town and a concrete teepee on Main Street.

The Blackfeet have more going for them than most tribes. There is oil and gas on the reservation yielding maybe \$3 million a year, some timber and cattle ranching, a fair amount of farming (barley, wheat and hay)—at least when water is plentiful—an industrial park and even a major tribal enterprise, the Blackfeet Indian Writing Co. The Blackfeet were well enough off that the council distributed nearly \$800,000 last year to its members—\$60 apiece, that is. "That's one of the things people look forward to," Chief Earl Old Person says. They have little else to look forward to.

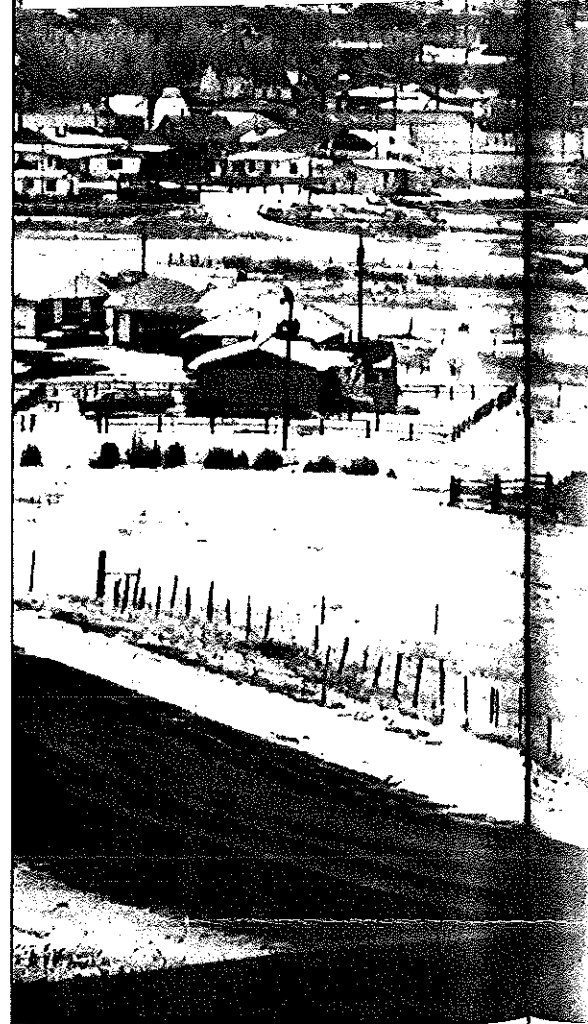
The truth is, the U.S.' 1.4 million Indians are among America's most disadvantaged minorities—ill-educated, unhealthy and poor—and so for at least 40 years now the federal and tribal governments have launched one well-intentioned scheme after another designed to provide jobs and job opportunities on the reservations, and invariably failed. What has gone wrong? The answers are instructive—if frightening—for those who worry

about job creation and about economic development in undeveloped countries all over the world.

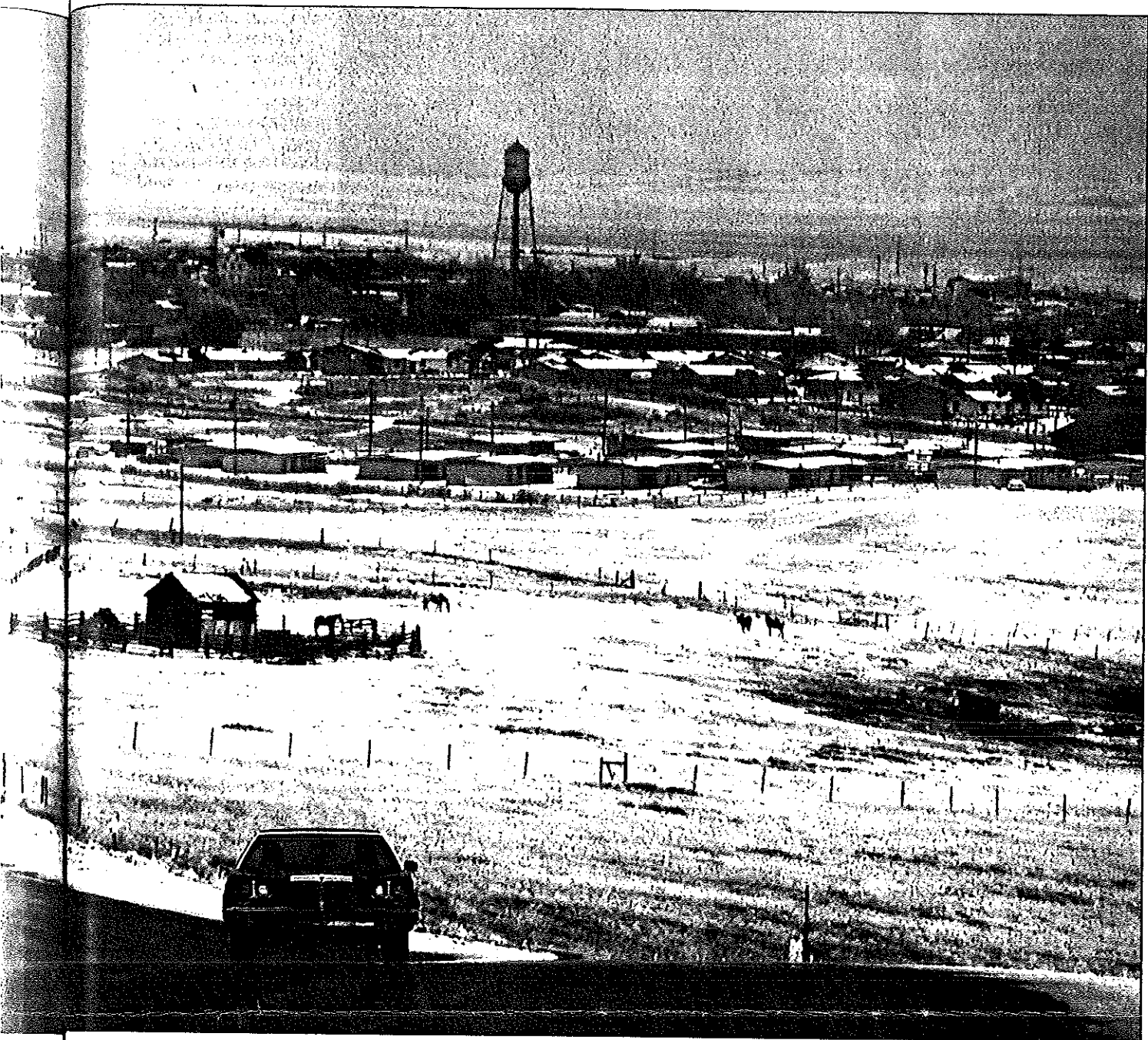
In the 1960s, for example, the Department of Commerce's Economic Development Administration had the idea of building vacation resorts throughout Indian country and putting the Indians to work in them. All told, it laid out \$61 million

to build 62 vacation resorts on the assumption that every \$10,000 invested would generate one job, or 6,100 altogether. But the businesses didn't make money, project after project collapsed, and the jobs that justified them disappeared.

The EDA's industrial parks program fared no better. Between 1966 and 1985 EDA laid out \$784 million to build 55 industrial parks on the reservations and to back hundreds of startup loans and grants. Build a park and put in roads, water, electricity and sewage, and industry will beat a path to your door, bringing along jobs



F.Y.I.
News article
Forbes
May 4, 1987



Browning, Mont., the Blackfeet tribal headquarters, on a snowy midwinter day
Better off than most tribes but not better off enough.

Photos by Michael Nichols/Magnum

by the dozen. The tenants never came, and at last count the overall occupancy rate of these parks was something like 5%.

And, after all, why should anyone come to an Indian industrial park? Most are situated in back-country areas, the available skills are minimal, and high transportation costs tend to offset the low wages. But, somehow, social planners never seem to think of these things before they spend money. The Navajos built four such parks and plan to build two others. But the only tenants so far are a General Dynamics electronics plant,

a Coca-Cola bottling plant and two or three Navajo tribal industries.

The Salish and Kootenai tribes on the Flathead reservation have gone into one business after another—electronics, printing, resorts, timber, construction—and failed at all of them. Even the celebrated Blackfeet pen and pencil company (*FORBES*, July 29, 1985) has been a failure. An observer explains: "The operation was always run by a committee and never had an entrepreneurial gut to it. Because of the tribe's involvement in the business, they couldn't get topflight management. They didn't realize that

their equipment was becoming antiquated, that there were people who could make pencils more cheaply. If it were a private company, they would have gone out of business long ago."

There are, it is true, a few successes—among them, General Dynamics' electronics venture on the Navajo reservation, Becton Dickinson's medical products venture on the Santee Sioux reservation, Brunswick's camouflage netting operation on the Devil's Lake Sioux' Fort Totten reservation, and a handful of auto parts outfits that have been set up on the Mississippi Choctaw reservation. But even these are

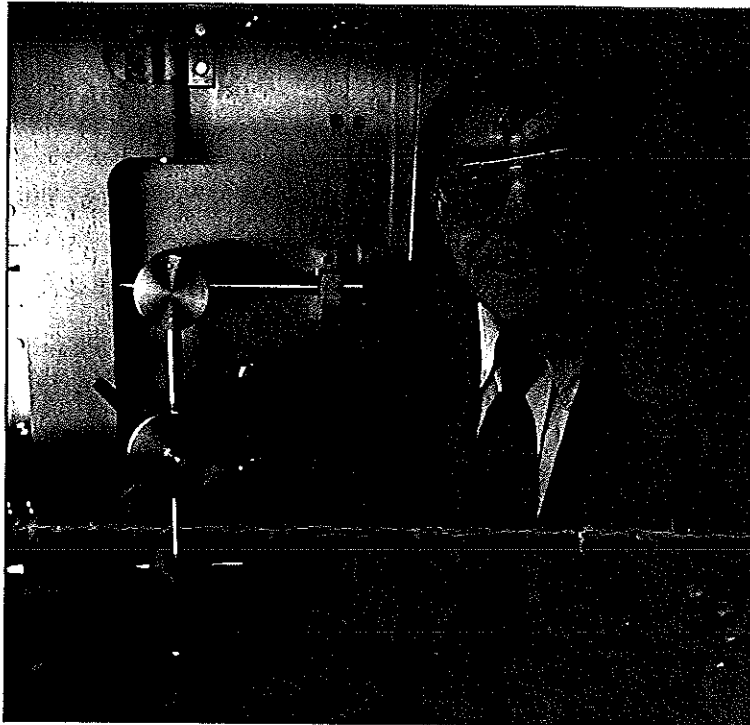
notable mainly because they are rare.

What's wrong? The truth is that Indian reservations do not seem fertile ground for the seeds of capitalism. Reservation resources are generally the province of the tribe rather than individuals and shared equally among the membership, and the welfare programs the government showed onto the reservations served only to strengthen these patterns. Even worse, when the tribes do lure a business to the reservation most insist on running things themselves and, Third World-style, Indianizing as much of the ownership as possible. Try to collect a loan? On the Flathead

reservation that's known as "thinking white." And what can you say when the Navajos assume \$22 million in debt from the tribe's Navajo Agricultural Products Industries and then boast they've moved it \$3 million into the black after ten years of losses?

Most industries come to the reservations because of some special advantage. Grants or low-interest loans obviously. Government contracts under the SBA's Buy Indian program or the Defense Department's minority set-aside programs. Even the timber operations so important to the Yakima, Colville and Warm Springs reservations prosper in part because the Bureau of Indian Affairs absorbs the costs of managing the business.

Is the situation hopeless? No, but the old approach of buying change with money is hopeless. Fortunately, new approaches are being tried. Phillip Martin, chief of the Mississippi Choctaw, argues that tribal government is the only realistic mechanism for economic development. But he also argues that the tribes have to learn how to tap the multitude of governmental and other resources available to them and



Chief Old Person at Browning's failed bank

Photos by Michael Nichols/Magnum

An economy too feeble to support even its own bank.

get out and sell their reservations' advantages.

There is one resource the tribes have in common: their peculiar position as quasi-independent states within the U.S. and, as such, increasingly free of state, local and sometimes even federal jurisdiction. They are learning to exploit this special status.

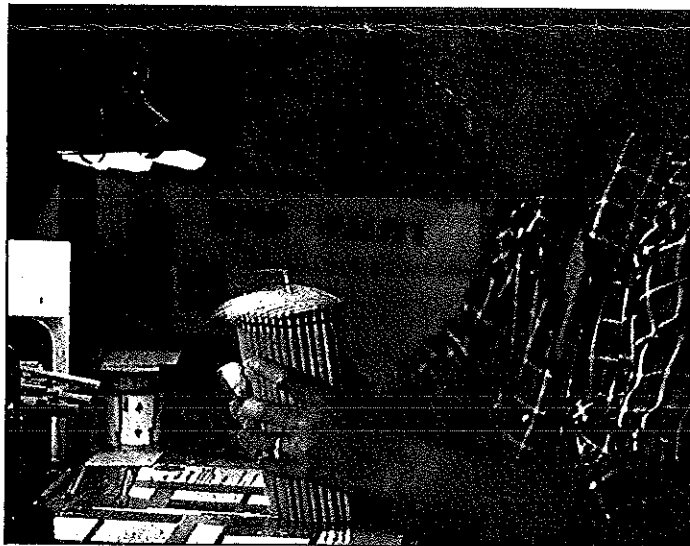
As one favorable court decision has followed another, the tribes have begun learning to impose taxes productively and to exploit their special territorial status by selling cigarettes, liquor and even gasoline free of state

time, bingo now generates over \$100 million a year for the tribes. Bingo took 120 members of Wisconsin's Oneida tribe off welfare, enabled the tribe to buy more land, a convenience store/gas station and an interest in the local bank and to launch a \$10 million hotel project. For California's Morongo Band, it cut its unemployment rate from 64% to virtually zero.

In North Carolina the Eastern Band of Cherokees plays only 18 times a year but charges at least \$100 a head at its 4,200-seat hall. With jackpots ranging from \$1,000 to \$50,000, the

Cherokee game has an annual revenue potential of more than \$7 million. According to a 1984 Bureau of Indian Affairs study, no fewer than 12 tribes take in more than \$1 million a year from such high-stakes games.

There have been setbacks even here. To mount such ambitious games, the tribes inevitably turn to outside promoters to arrange the \$1.5 million and more necessary to build a hall and to manage the games once they get going. The tribe usually gets a percentage of the gross profits, normally 51%, out of which it pays off the startup



Browning's Blackfeet pencil factory

Low-cost labor couldn't offset weak management.

and local taxes.

California's 175-member Campo reservation planned to lease land for a PCB storage and treatment plant free of state and local environmental regulations, and when that failed, proposed leasing the land to a firm processing San Diego sewage sludge into compost for agricultural use. The Maopa band of Paiutes has even talked about leasing land on its reservation near downtown Las Vegas to be used for a brothel.

The big breakthrough from extra-territoriality has, of course, come from bingo. Unhampered by the state and local restrictions on jackpots and playing

loans. Unfortunately, the money is big enough to attract everybody from fast buck promoters and larcenous tribesmen to organized crime.

Talk about innocents! In California one outside management company financed a \$3 million hall for one of the local tribes, reportedly took in an estimated \$1 million a month—\$24 million to \$30 million over a 2½-year period—and by terms of its contract turned over only \$500,000 to the tribe. But the Indians are learning.

They are learning, for example, that there is more to gambling than bingo. Arizona's Fort McDowell reservation offered keno and slot machines under the name of bingo. New Mexico's Santa Ana pueblo wants to get into greyhound racing, the Gila River reservation into jai alai with a \$20 million fronton near Phoenix. Some tribes have even talked about going for casino gambling. In places like Palm Springs, Phoenix or Las Vegas casino gambling could move the tribes lucky enough to be there into the really big money.

Unfortunately, while gambling brings in revenue, it doesn't bring in many jobs for Indians. As San Diego's tribal investment consultant Mike Stolper points out, having money is not the same thing as having a job.

As for the \$30 billion the federal government poured into the reservations over the last ten years, like the billions such tribal enterprises as oil, gas and timber have generated, it has flowed in and flowed out again, going mainly to the non-Indian businesses, on reservation or off, that provide the goods and services the reservations themselves need. The Flatheads spend \$6 million with the businessmen of nearby Polson and \$5 million in nearby Ronan, and Iowa's Omaha and Winnebago tribes discovered they were spending \$3.3 million a year on food, and even after opening their own grocery were able to retain only \$500,000 in 1985.

According to a Rensselaerville Institute study, what the reservations lack most is not capital but entrepreneurs, the spark plugs, as Institute President Harold Williams calls them, that make businesses go and, in the long run, set economies hum-

ming. "The program mentality has been drilled into the tribes," says Ross Swimmer, head of the Interior Department's Bureau of Indian Affairs, "and they look at economic development as a check from Washington."

It's an attitude that infects underdeveloped economies everywhere—from central Africa to the Caribbean, and even to the Communist bloc—in their efforts to get the engine of economic growth started. And it's no more productive.

"You really should be betting on people," Hal Williams says, "rather

"Nobody has ever gone out and tried to develop small business on the reservations," says David Gordon, an entrepreneur who heads up the business opportunity centers for the institute. "Our objective is to create unsubsidized jobs. We want to start with the idea of a business that isn't totally dependent on subsidy. We're not saying a group of Indians can't own a business and operate it successfully. What we're saying is you've got to have somebody in charge."

Are Indians good entrepreneurs?

Shelly Katz

Some are. The *Red Pages*, a private listing of Indian businesses in the U.S., found 5,179 in 1985, largely off reservations, and Swimmer is looking for Indian college graduates as prospective entrepreneurs. Given the intensity of tribal loyalties, a fair number may be willing to come back to the reservation—assuming the grip of the tribal bureaucracy can be broken.

"I would argue," says Robert Nelson, who headed up the Interior Department's Task Force on Indian Economic Development last year, "that it is the bureaucracy at the tribal level as much as in Washington that has been a barrier to the entrepreneurial spirit, and if you remove that barrier, you may find the historic roots of some kinds of entrepreneurial endeavor are very much present." According to Nelson, "the attitude the Task Force Report took was to try to create opportunities for things to happen"—enterprise zones, preferential contracting and financial aid. "You need to take a lot of action in the area of education, training centers, preference. There's just not going to be a spontaneous burst of entrepreneurship."

"All the entrepreneurs on the reservations have been co-opted by federal programs," Ross Swimmer complains. "The guy who wants to run a business says to heck with that, and he'll go off the reservation. We want to bring those people back. There's an entrepreneurial class of Indians in this country someplace."

Just another cruel hope? Maybe, but one thing is clear: Indian backwardness, like all the other intractable social problems, doesn't yield to massive assaults by dollars. ■



Chief Phillip Martin and Mississippi Choctaw Industrial Park
The trick is to get out and sell the reservation.

than plans or budgets." Under Swimmer, the Bureau of Indian Affairs is trying to do just that. A few months ago it hired three firms, Williams' Rensselaerville Institute among them, to create a series of business development centers to produce more than a thousand jobs over the next three years. So what's new about this?

What sets the present program apart is that its emphasis will be individual and entrepreneurial rather than bureaucratic, whether it's helping a tribal businessman find financing for a computer service operation or a tribe find a manager to straighten out one of its existing businesses.

Congress urged to control Indian gambling

WASHINGTON (AP) — Congress was urged Thursday to regulate tribal-sponsored gambling to prevent the crime problems that have plagued Nevada from spreading to Indian reservations nationwide.

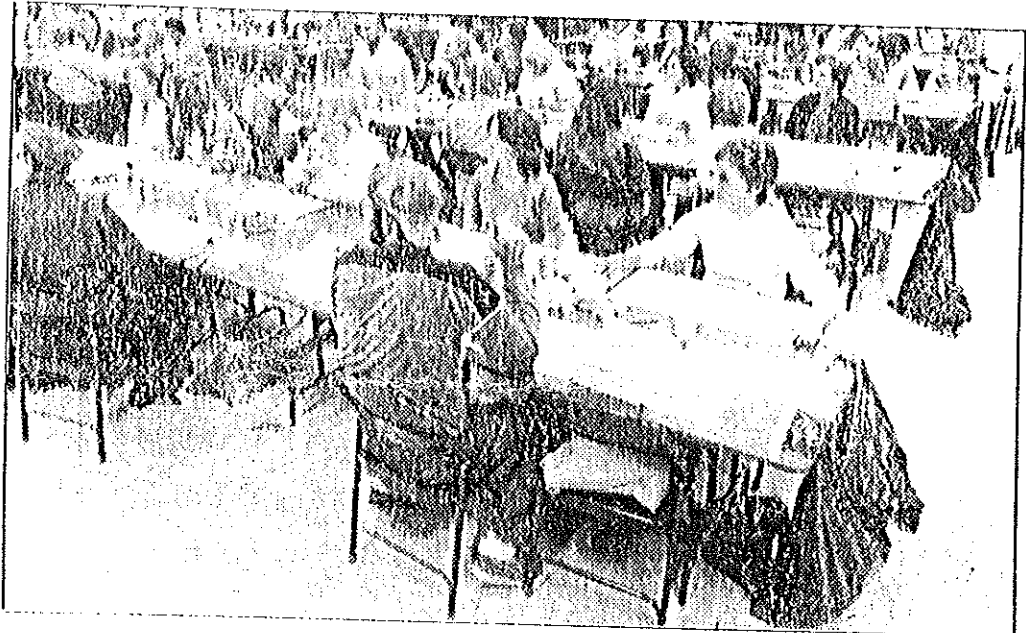
"This is a tough, tough business. Those casinos weren't built by winners," Rep. James Bilbray, D-Nev., said. "You'll have a major scandal, in the next few years, as sure as I'm sitting here."

"The commodity is cash, and every time the commodity is cash, organized crime is going to get involved in it," added Sen. Harry Reid, D-Nev.

The House Interior and Insular Affairs Committee is considering two bills to regulate Indian gambling, a growing trend to raise money on the impoverished reservations. The government says more than 100 tribal gambling facilities exist so far with estimated gross receipts of at least \$100 million.

One proposal would impose federal authority over bingo — by far the most popular form of Indian gaming to date — but allow states to regulate all other forms of gambling. The other would create a federal commission to oversee tribal operations.

■ GAMBLING, Page B2



High-stakes bingo has proved to be a popular activity on the Oneida Indian reservation. The operation has become an important source of revenue for the Oneida Nation. File photo

Official: Gambling not a panacea

■ GAMBLING,
Continued from Page B1

Locally, the Oneida Indian reservation in Madison County and the Mohawk Reservation in St. Lawrence County near the St. Lawrence River operate high-stakes bingo operations.

Reid and Bilbray urged state regulation, saying only states could fill the day-to-day overseer role needed to keep Indian gambling clean.

Reid also said the \$2 million proposed for a federal commission is inadequate; he said Nevada and New Jersey spend \$100 million a year to regulate gambling, not including law enforcement costs.

But Sen. John McCain, R-Ariz., said state regulation would violate tribal sovereignty and "smacks of

paternalism."

He said Indian gaming is in its second decade "with no evidence of organized crime."

In addition, Rep. Ben Nighthorse Campbell, D-Colo., the only Indian in Congress, said, "I don't know of any tribe that wants state control over its affairs."

Ross Swimmer, assistant interior secretary for Indian affairs, warned that tribal gaming is not a panacea. He compared it to some states' short-sighted reliance on energy income that went through the floor when oil prices fell worldwide.

He said Indian reservations, located in remote areas, would lose their non-Indian clientele if bingo or other gaming facilities opened closer to cities.

The Post Standard June 26, 1987 Tribal Bingo

Feds Should Keep Noses Out

Why doesn't the federal government leave the Indians alone? Why must Uncle Sam in this day of supposed enlightenment about minorities continue to treat them like drooling nephews?

The case in point is a recent hearing before the Senate Select Committee on Indian Affairs. Those worthies are considering two bills that would regulate gambling on Indian reservations. Why? Because of fears that organized crime might get a foothold on the Indian-run games. Neither the Indians nor anyone else has seen any evidence that suggests organized crime has infiltrated the tribes. One of the bills would create a federal commission to regulate tribal operations; the other would give the feds power to oversee tribal bingo but give the states power to regulate all other forms of gambling.

Both ideas smell to high heaven. We are not advocates of unrestricted gambling; quite the contrary. But the Indians should have the power to come to a similar conclusion, or not, themselves. The federal government should not be sticking its nose into this or any other area of strictly Indian concern unless invited by the Indians to do so.

The Seminoles opened a bingo parlor in Florida about 10 years ago. That small enterprise has grown to multimillion-dollar revenue-generators on reservations across the country. The nearby Oneidas have been involved in an internal hassle over the operation of a bingo game there; but it is their internal fight, and they should be left alone to work it out. The Onondagas have put a ban on gambling on their reservation; they did it themselves and are arguing it out among themselves. That is the way it should be.

Washington and its hordes of bureaucrats have a history of imposing rules, restrictions, regulations on the nation's Indians to the point where the vast majority have been driven to poverty and despair. Maybe if these bureaucrats would spend as much time trying to run the gambling in Atlantic City and Nevada and elsewhere the gangsters there would end up in the poohouse, too.

Bingo has suddenly proven to be a financial boon to many of the tribes. They should be left to their own devices in determining what course they should take in permitting or banning that and other gaming. If they need and want help, they'll ask for it. Otherwise, leave 'em alone!

Congress Urged To Control Gambling on Reservations

By SANDY JOHNSON

Associated Press Writer

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