

Review of Robert J. Miller's *Reservation "Capitalism" Economic Development in Indian Country*

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The purpose of this review is not so much to critique Robert Miller's new book, but rather to think about the issues in *Reservation "Capitalism"* from the point of view of an economist who studies issues of international development and poverty. I also approach this as an American Indian, but my experience with reservations is very limited. My tribe, the Lumbee of North Carolina, is not federally recognized. We do not have reservations (though there is certainly a defined homeland) and formal tribal government is a relatively new phenomenon for us. That said this book had a very familiar feel for someone that studies economic development, yet thinking about what makes Robert Miller's book unique helps the development economist better understand the challenges faced in Indian Country.

As a book about economic development there are two areas where *Reservation "Capitalism"* stands out both on the strength of Miller's arguments and because of the distinctive challenges they bring to the American Indian case. Before Miller can begin to outline the problems (and potential solutions) faced by Indian Country, he has to offer up both an economic and legal history of Native North Americans. *Reservation "Capitalism"* excels on both fronts and really brings value to the literature in these areas. Because the position of Native Americans is quite different than other poor groups either in the United States or abroad beginning with this legal and economic history is necessary.

In laying out an economic history of Native Americans, Miller aims to dispel a stereotype that is prominent among both Natives and non-Natives in the United States. This is the long held belief that capitalism or entrepreneurship is somehow antithetical to American Indian culture. The

line of thinking goes that in order to protect Native American culture, Native Americans should be protected from the greed and individualism inherent in the modern economy. Miller quotes one Indian leader who points out the need “to make it acceptable in Indian country to be in business; it’s not about rejecting culture it builds sovereignty” (p. 4). The argument is made throughout the book that poverty is the biggest threat to native cultures. Cultural development can only be pursued after material needs are met. It was wealth accumulation by Indians in the pre-contact period that “led to ample leisure time” and allowed for the “manufacture of art and handicrafts, the practice of elaborate social and religious ceremonies, and even public displays of wealth” (p. 17). Rather than fighting against the modern economy Indians need to join it in order to maintain their culture.

In giving a brief economic overview of Native Americans before and just after contact, Miller illustrates how historically Native American cultures have been entrepreneurial with a focus on adaptation and individual property rights. Pre-contact America was not a utopia where Indians lived easily off the fruit of the land. It was one in which individual hard work was rewarded. Among the examples described by Miller is that of the Nootka people of the Pacific Northwest. They carried individual ownership to an “incredible extreme”, with individuals owning “land and houses, clam beds, beaches, the salvage rights on those beaches, river fishing spots, and even fishing spots and sea lion rocks in the ocean!” (p. 14-15) This individual ownership was accompanied in many places by a high degree of economic specialization and trade routes that crossed large parts of the continent. This trend continued as Europeans arrived in North America. Indians adapted to new technologies (guns and horses) and were at the center of new trade networks (beaver pelts). Miller writes that “Indian peoples and tribes willingly engaged in trade and extended their activities to these new trading partners and goods as both sides became

customers and traders in common” (p. 22). *Reservation “Capitalism”* outlines how it was disease and Manifest Destiny that put an end to a brilliant phase of Native American industry and wealth accumulation rather than inherent cultural inability to thrive in a modern economy.

After outlining a period in which Indians had managed to successfully provide for their families and build vibrant cultures, Miller examines “how American Indians and tribal governments lost the ownership of almost all their lands and assets and became economically dependent on the United States” (p. 27). This is one of the key sections of the book where Miller’s training as a legal scholar pays off for the reader. Miller describes the unique legal position that tribes find themselves in today by looking at the evolution of US law pertaining to American Indians that evolved as Indians were essentially losing a war for their homelands. Their lands and assets were often “traded” away through treaties with the US government. Although often ignored and watered down these treaties provided the basis for the current relationship between the federal government and Indian tribes. Tribes are treated in some respects as sovereign nations, but these are nations in which the US government has a “trust responsibility” it assumed over tribal assets and the wellbeing of individual Indians. This has created a “much greater role for the United States in Indian and tribal economic affairs than the federal government plays in the US economy in general” (p. 39). It is the overlapping roles of federal, state, local and tribal governments that make the American Indian situation challenging to understand for a development economist.

Miller shows how the weight of this history weighs down current economic development in Indian country. Indians live in poor, out of the way places are subject to multiple layers of bureaucracy. This has resulted in a situation where Indian reservations are places that are largely devoid of economic activity, especially privately owned businesses. Miller details the reasons for this situation, many of which will be familiar to the development economist. Poverty and lack of

access to credit leaves individuals with little money to invest in new businesses or local infrastructure. With the federal government holding much reservation land in trust status, individual Indians cannot leverage this land in order to access to capital. The various levels of bureaucracy make it difficult to start new businesses or to attract outside investment. The story of the Bureau of Indian Affairs having a backlog of 113 years of title search requests (p. 110) is reminiscent of the reported 466 year backlog of court cases in India reported by the Associated Press.<sup>1</sup> These types of situations make it difficult for business to flourish. Thus as Miller states, “Indians own private businesses at the lowest rate per capita for any racial or ethnic group in the United States” (p. 113).

Miller’s suggested path (gleaned from his research and work with Indians on these issues) is for Native American to be more entrepreneurial. Tribes need to create an atmosphere conducive to entrepreneurship and ideally the federal and states governments would support this, but at the very least they should stop creating hurdles for Indian entrepreneurship. The core of *Reservation “Capitalism”* is summed up in the following paragraph:

Tribal governments need to build functioning economies on their reservations. This is the only way to keep money circulating on reservations and to capture the maximum economic value from the money that tribes and Indians possess. The only way to enjoy the multiplier effect, the re-spending of money in the Indian Country, is to create more privately owned businesses on reservations and functioning economies. And the only way to do that is to encourage and support Indian entrepreneurs. (p.132)

There are many signs of hope in Miller’s description of the state of the economy in Indian country. The federal government and Indian gaming<sup>2</sup> do provide significant flows of cash onto Indian reservations. The problem that Miller describes is that there are often very few places to spend

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<sup>1</sup> See “Report: India court 466 years behind schedule”, MSNBC, 2/12/2009.

<sup>2</sup> The chapter on gaming in *Reservation “Capitalism”* is another instance where Miller brings uses his understanding of the law and its evolution to bring exceptional insight to the reader. The possibilities that gaming creates are very much constrained by the legal environment.

that cash on reservations because of the lack of private businesses. Thus the money “leaks” off the reservations without creating much in the way of surplus before it leaves. Border towns spring up around reservations, capturing the “multiplier” effect that this cash can generate.

The idea of leakage and cash flow on the Indian reservations pushes the development economist to think carefully about the situation. On the one hand we have the problems of poorly functioning institution (i.e. tribal court systems or commercial codes) that we would normally think of at the state or country level. On the other hand there is the problem of how to help rural communities be more self-sufficient which is very much a local problem. What is also somewhat slippery for the economist is the role of the tribal government in economic development. The tribal government, as the leader of a somewhat sovereign people, can set the rules that could encourage economic development. At the same time they also run tribally owned businesses and enter into business contracts with outside investors and vendors. This can create conflicts of interest with tribal leaders being pulled in different directions and as Miller writes “even under the best of circumstances, commentators state that tribal operation of business is the least efficient method”. (p. 139). However the lack of individually owned private business often creates the necessity for the tribe to enter this area. Tribal businesses, especially gaming operations, can be an important source of employment and human capital development.

The strength of tribal businesses creates a central tension in *Reservation “Capitalism”*. On the one hand Miller persuasively argues that individual ownership and effort are an important part of American Indian culture and key for the survival of tribes. At the same, tribally owned businesses and resources play a key role in Indian economic life. It is interesting to think of the history of American Indians not only as individual property owners, but also as members of the tribe. Miller gives us glimpses of this when describing ceremonies like the pot latch which were

part of redistributing wealth, but this does leave an important issue for future research. How do we think about tribes when it comes to dividing up the benefits gained from public goods? How have cultural traditions in this area survived the epidemics and economic dislocations that Miller describes? Miller does mention the tension that can surround questions of tribal membership when tribes have benefits to distribute.

As a legal scholar who works with tribes on business and judicial issues and an Indian with entrepreneurial parents, Robert Miller is uniquely positioned to tackle the challenges offered by reservation economies. *Reservation "Capitalism"* is both a primer on the subject and offers new insights into how best to help American Indian tribes restore their sovereignty through economic freedom. Miller's emphasis on entrepreneurship as a way forward is an important message in the context of Indian reservations as well as development more generally.