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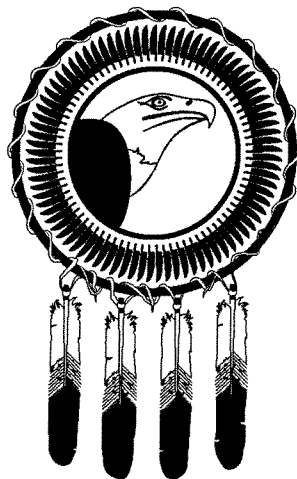
*Tourism and Economic Development:
Considerations for Tribal Policy and Planning*

by

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TOURISM AND ECONOMIC DEVELOPMENT:
CONSIDERATIONS FOR TRIBAL POLICY AND PLANNING

by

Stephen Cornell

Remarks prepared for the Second Annual Native American Tourism Symposium, Phoenix, Arizona, October 6, 1989.

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I'm a researcher, by training and by trade. I and my partner, Professor Joe Kalt of Harvard University, direct the Harvard Project on American Indian Economic Development. For the past two years, with support from the Ford Foundation and the Northwest Area Foundation, we've been trying to understand what conditions — what factors — lead to successful, self-determined economic development on Indian reservations.

What I want to do this morning is to try to draw some links between the things we've been talking about at this Symposium — Native American tourism — and the larger reservation development picture that has emerged in our research. Native American tourism doesn't take place in isolation from the rest of what goes on in reservation economic development. In fact, it is very much affected by the same things that affect other kinds of economic activities on the reservation. And this means, in part, that many of the same factors that help or hurt other development efforts are going to have an impact on tourism as well.

My first job this morning, as I see it, is to try to point out what some of those factors and some of those problems are, and suggest at least some of the

ways in which they might be overcome. Then I want to turn to tourism itself and talk about some of the specific issues that tribes looking into tourism development may wish to consider.

RESEARCH FINDINGS ON ECONOMIC DEVELOPMENT: AN OVERVIEW

As you know much better than I do, the economic development record on Indian reservations is mixed. "Mixed" may be a generous way to put it; we all know that the failures out there far outnumber the successes. But there are successes, and that's important. On the other hand, the failures have been persistent. Despite a lot of effort and a lot of money and a lot of hard work on the part of tribes, most reservations today remain extremely poor.

In the Harvard Project on American Indian Economic Development, we're trying to understand why. We've been looking pretty systematically at twelve tribes in the Southwest, Northwest, and Northern Plains, studying what they've been trying to do, how it's working, what seems to help, what seems to hurt. The questions we've been asking are these: What works where, and why? What ingredients seem to be most important to success in reservation economic development? Can economic development move forward on Indian reservations?

To begin with, there's good news and there's bad news. The good news is that the development situation is looking better than it has in decades. As you know, there have been some important changes in Indian policy in recent years. The move toward self-determination has put a lot of tribes in the driver's seat in economic development. In many cases the important development decisions these days are being made by tribes themselves, not by the BIA or somebody else. This has happened partly because tribes demanded control over their own affairs, and the federal government, faced with that demand, has begun to

back down. And it has happened partly because the money has dried up. There's a lot less money coming out of the federal government for Indian programs these days, and that means the government pulls fewer of the major strings.

As a result, we're seeing a lot of new development strategies. Tribes are trying different things, learning from their own mistakes, reaping the rewards of their own good work, and paying the costs of their failures. Another result is that tribes are designing development strategies to meet their own needs, and measuring success according to their own goals. And those goals are complex. They include not only improving reservation economies, but enhancing their political and social sovereignty as well.

So the overall picture looks promising.

The bad news is that it's not all good news. Some tribes are making progress, but a lot of tribes aren't. Some things work; a lot of things don't. In other words, the picture may be promising, but it's not yet delivering adequate results.

I'm sure the stories are familiar to you. On the one hand we have tribes like White Mountain Apache, Salish-Kootenai, Cochiti Pueblo, and others, where there's a lot going on and some things are working well. On the other hand we have places like Crow, Pine Ridge, Rosebud, Northern Cheyenne, Hualapai, and so on, where less is going on, the problems persist, and the picture looks bleak.

Why is that? What's the key? Is it natural resources? Maybe, but Crow is resource-rich, and development has a discouraging history there, and San Carlos Apache has a pretty good resource endowment, but it's not doing as well as White Mountain. Is it money? Money's important and needed, but is the solution simply to find more of it? Some of these tribes have been through huge

quantities of money without substantial results. Is it human capital — having the right people, the right skills? That surely has something to do with it, but there's a lot of smart people — and more skills than we often think — on reservations that remain desperately poor. Is culture the problem? Some federal policymakers and other analysts like to think so. But among the successful tribes out there are both Salish-Kootenai, which works in ways that closely resemble non-Indian society, and Cochiti Pueblo, which works in ways that are rooted in centuries of Pueblo tradition and don't resemble non-Indian society very much at all. Different cultures, but good results in both cases.

So what is it? What's the key?

Our research — which is not yet complete — suggests that these things (and others) are all important, but that three factors in particular are critical in reservation economic development:

1. Effective, de facto tribal sovereignty
2. Effective institutions of governance
3. Picking the right projects.

In our experience, most tribes spend the bulk of their energy on numbers 1 and 3: struggling for de facto sovereignty, and trying to select good projects — bringing in a factory, starting a tourism operation, setting up a store, and so on. But the evidence shows that unless you pay an awful lot of attention to number 2 — institutions of governance — being in charge and choosing the right projects won't get you very far.

Why are the institutions of governance so important? Their importance isn't peculiar to Indian country. They're critical in economic development

everywhere, from Boston or Chicago to the Third World. They have to accomplish two tasks.

First, they have to channel people's energies into productive as opposed to destructive behavior. If we all spend our time fighting over the distribution of the pie instead of trying to make the pie bigger, we won't get anywhere.

And second, they have to create an environment in which investors feel safe. And by investors I mean anybody who plans to engage in productive activity on the reservation, from the individual tribal member trying to start up a beauty salon, to the major corporation considering putting an assembly plant on the reservation, to the person applying for a job in a tribal enterprise. If they don't feel their investment — of money or energy or time — is secure, they won't invest. And as I say, this is true wherever you go, in Indian country and out.

But what does this mean in practical terms? Our research suggests that a number of things are involved. From the point of view of people like yourselves, however, concerned with the chances of establishing successful tourism operations on or near reservations, two issues are perhaps particularly important.

First, you've got to have institutions that effectively separate electoral politics from the day-to-day management of business. We all know the stories. On one of the reservations we've been studying they've just got a tribally-owned convenience store started, and it's been doing pretty well. But the tribe itself is having cash flow problems, and now the tribal council wants to take the income from the convenience store and spend it on tribal payrolls and bills, and as a result, the convenience store won't be able to keep up its inventory or maintain its own staff. Unless some of those funds get reinvested in that business, it won't be there very long. But the decisions are being made by the politicians,

not by the business people. So the funds will probably go somewhere else, and my bet is the store, like so many projects before it, will go under.

There are plenty of other stories: hiring that depends not on skills but on family or friendship ties; leases that get cancelled by tribal governments for political reasons; contracts that are inflated in order to move money to certain people; enterprises that lose money because they employ too many people to remain competitive, but the council won't let them lay anyone off; and so on. The stories in Indian country are almost as bad as the stories in Boston, where I've been living for the last nine years.

But the costs are higher, because in Indian country there aren't that many enterprises to begin with. And what happens when these things occur is that investors see what's going on and realize their enterprises are hostage to politics, so they leave, or they never show up in the first place. That effectively puts a lid on development. So projects start up, then they fail, and pretty soon you can't get anything off the ground at all.

So you have to get politics out of day-to-day business management. That doesn't mean that tribal government has no role in development. It has a crucial leadership role: determining the long-term direction of the tribe, orienting development to tribal goals, finding the right people to run things, overseeing the bureaucracy, and so on. But then it has to let the projects it chooses be run as businesses. Otherwise they won't make it.

But how do you do that? The successful tribes we see do it in a variety of ways. At Flathead they've chartered independent boards of directors for tribal enterprises. The council appoints the boards, but once appointed, the boards of directors make the business decisions. As long as their actions fit the long-range vision that the tribal leadership has established, the council has to keep its hands off.

At Cochiti Pueblo the traditional culture seems to do the job. The tribe gives a central role to religious leaders who appoint the senior tribal administrators. They in turn appoint people to run the tribe's enterprises. The culture itself emphasizes that individual agendas or interests have no place in the running of tribal affairs, so tribal political leaders keep out of day-to-day business operations. And those operations are a success.

And there are other solutions that we've seen that seem to work. The solutions vary, but every tribe has to find some way to deal with the problem. The point is to find a way of dealing with it that fits the culture and the preferences of the tribe. Flathead does it with independent boards; Cochiti does it with traditional culture; Mescalero does it with strong constitutional rules; and so on. But it has to be done if development is going to succeed.

The second issue is dispute resolution. Too often in Indian country we find situations in which those with claims against the tribe or against other tribal members can only appeal to the tribal council for justice, or to a judicial system ultimately controlled by the council. But in many such cases the council itself is an interested party to the dispute. This, too, discourages investment. If I see little chance of the fair adjudication of my claims, I won't invest. We just heard of one example on a northern plains reservation where a tribal member went to the tribal court to challenge a lease arrangement with the tribe. The court ruled in his favor. But the council got angry and overturned the court, apparently for political reasons. That action sent a clear message to everybody on that reservation, and to anybody outside the reservation thinking of investing there. And the message was: don't try starting a business here; you never know when they'll pull the rug out from under you. No wonder there are no businesses.

There are solutions to this problem as well. At Rosebud they have a board of ethics, appointed by the tribal council and composed of individuals

known for their "wisdom, integrity, and knowledge of Lakota culture." The board hears grievances and makes recommendations to the council. These elders are held in great respect, and their recommendations generally hold.

Flathead has a judiciary that is professionally staffed and effectively independent of the tribal council, and it also has a personnel board that hears and rules on grievances against the tribe. This may sound as if the tribe has lost power, but it hasn't. The judiciary is as much the tribe as anything else is. In fact, by establishing institutions that work and that can protect those with grievances, the tribe has made itself more powerful and more effective in accomplishing its own goals. The council retains its role of central leadership, creating a long-term strategic vision, shaping the tribe's future, and overseeing the functioning of the tribal bureaucracy. Those best equipped to run the businesses run the businesses. And those best equipped to determine right and wrong in tribal affairs rule in disputes.

Neither of these solutions — at Rosebud or at Flathead — is necessarily the best. Again, the primary questions to ask are: what solutions work, and what solutions are appropriate to a particular tribal situation? But whatever the solution is, the problem itself has to be solved.

There are other issues, too, having to do with political institutions and economic organization, which we don't have time to explore this morning, but I would be glad to talk them over with any of you in the course of the day.

POLICY AND PLANNING CONSIDERATIONS IN TOURISM DEVELOPMENT

Now what does all this mean for tourism? The fundamental implications are the same for tourism as they are for any other economic activity on Indian reservations. Without an appropriate and effective institutional environment — that is, without a set of governing institutions that create an environment in

which investors feel safe, and in which the day-to-day management of business can proceed free of opportunistic politics — tourism enterprises will find themselves consistently being undermined, and so will other kinds of enterprises as well. What our research strongly suggests is that these institutional issues need to be dealt with first. If the institutions are not effective, then picking the right projects, doing the appropriate planning, finding good personnel, obtaining loans — all these necessary aspects of successful development — are unlikely to produce success. The obstacles are just too great, and the enterprises will fall victim to the same human failings that torpedo plenty of stuff in non-Indian country.

But once such institutions are in place — once the tribe is capable of exercising its sovereignty in an effective manner — then some important questions regarding projects begin to arise. What projects fit with the tribe's goals and its image of itself? What projects fit with its resource base, capabilities, and markets? What projects fit the tribe's preferred way of doing things? And this brings us to the topic of tourism itself.

Aside from a report on state involvement in Indian-related tourism that one of our students did for the Native American Tourism Center, we have not made any systematic study of tourism in Indian country. But we have given the topic some thought and we've talked to a lot of people about it in the course of our research. What I've done here is to present what seem to me to be some of the central issues tribes might consider in undertaking tourism development.

Of course there are many kinds of tourism, including everything from recreational hunting and fishing to sightseeing to large-scale resorts. I've broken down the kinds of tourism into seven categories of activities (there are probably others, depending on the location, assets, and characteristics of a particular tribe):

- Arts and crafts (on site)
- Arts and crafts (export)
- Sightseeing
- Cultural displays (e.g., museums)
- Hunting and fishing
- Camping
- Resorts.

Next, I've selected six considerations that appear to be important for tribal leadership and tribal planners who are thinking about tourism development (again, there may be more, but these are among the important ones):

- Operating capital required
- Size of physical plant investment required
- Size of labor force required / employment opportunity
- Human capital (skills / training) required
- Amount of dispersed, on-site, non-Indian traffic involved
- Likely extent of community cultural concerns.

The first two of these — and the fourth — obviously are linked. Where physical plant or human capital needs are high, operating capital needs are likely to be high as well. I have separated them because decision-makers need to know where the necessary investments lie. Similarly, the last two considerations are connected, at least up to a point. Large amounts of dispersed, non-Indian traffic on the reservation may arouse community concerns about cultural (and other) issues. But again, while related, the two are

not the same thing. A tribe may have cultural concerns that have nothing to do with the size of non-Indian traffic.

I should point out that among the possible considerations not included in this list is perhaps the most important consideration of all: the market. Is there a market for the tourism activity the tribe wishes to undertake? Indian country is full of failed attempts to tap the tourist dollar, and a number of these attempts probably failed in part because no one really knew whether or not there was a market out there to be served. Too often the assumption is: It's a beautiful place; if we build a motel (or a campsite or a crafts shop or something else), people will come. So we build the motel and nobody shows up.

Suffice it to say that a crucial preliminary step to any tourism venture should be a systematic evaluation of the market. But I make no assumptions here about the size of local, national, or international markets for any of these activities.

Each tourism activity can be ranked low, medium, or high on each of the six listed considerations: for example, low, medium, or high capital costs; low, medium, or high dispersed non-Indian traffic; low, medium, or high employment, and so forth.

The rankings of the seven tourism activities against these six considerations are shown in Table 1 (at the end of this document).

Export arts and crafts, for example, requires relatively little operating capital other than one or two salaries and some administrative and shipping costs, and little investment in physical plant. It might employ a medium number of persons and requires substantial human capital skills in marketing and administration (obviously there are necessary advanced artistic skills as well, but our concern in this analysis is less with the product itself than with what is

necessary to make it available to the market). It involves no on-site traffic, and usually raises few cultural concerns in the community.

In contrast, hunting and fishing involves higher financial requirements (salaries for a professional staff); low to medium physical plant investment (office and vehicles); few employment opportunities, high human capital (for example, a wildlife biologist, law enforcement personnel); medium on-site traffic (some non-Indians will appear on the reservation, but not that many, and they will probably be in circumscribed areas); and high cultural concerns (owing to the commercial use of animal resources, the regulation of tribal hunting and fishing, etc.).

The notes to Table 1 (on the subsequent page) provide brief clarifications of some of the rankings.

It's important to note that these rankings are intended to be suggestive and helpful for analysis, but they are hardly definitive. In some cases the needs are ambiguous or variable. For example, rough-it camping requires little investment in physical plant, while full service camping means running water, outhouses, etc., and therefore is more expensive. Similarly, some sightseeing may require little more than conscientious trash collection along reservation roads and some investment in explanatory or historical markers, while other sightseeing may require substantial site maintenance, thus raising costs and/or investment in physical plant.

The table pays no attention to possible paybacks, which would need to be estimated in each case. In some cases, activities that are expensive to undertake may also produce high returns. Sustained commercial hunting, for example, requires a professional staff, and professional staffs cost money. On the other hand, well-maintained wildlife can attract well-heeled hunters who will pay a good deal of money for trophy quality game. The costs are significant, but

the paybacks are, too. In any case, returns should be measured to the reservation economy as a whole, and not simply to the activity. For example, camping and sightseeing may return little to those activities (other than camping fees). The payoff comes in user patronage of other retail outlets on the reservation, such as food , a convenience store, or arts and crafts — assuming such outlets exist.

By itself, of course, this table gives no final answers regarding the question of what sort of tourism development a tribe should pursue, or of whether or not it should pursue any such development at all. The relative importance of each of these considerations depends on tribal goals and preferences, and on what sorts of resources and capabilities tribes can bring to bear in the development effort. Some tribes, for example, may have no objection to substantial non-Indian traffic on the reservation, while others may have significant concerns. Other things being equal, a tribe with a high tolerance for the presence of non-Indians in reservation back country will be more inclined than other tribes to pursue camping or hiking development or commercial hunting. Similarly with resources: A tribe may lack the specific human capital necessary for certain kinds of development, but have the capital it takes for others. In other words, the considerations in the table (and other concerns) should be measured against tribal priorities and capabilities.

Finally, I should note once again the bottom line that continually emerges from our research. Without effective governing institutions that can maintain the professionalism of staff and hiring and the security of investments — whether by the tribe, by tribal member entrepreneurs, or by outsiders — none of these activities is likely to do what it is intended to do: contribute to the long-term welfare and sovereignty of the tribe and its people.

Table 1. Some Requirements/Considerations of Selected Types of Tourism Development on Indian Reservations.

	Operating Capital Required	Investment in Physical Plant Required	Labor Required/ Employmt. Oppty.	Human Capital Required	Likely On-Site Non-Indian Traffic	Extent of Community Cultural Concern
Arts & Crafts (on site)	low	medium	medium	low	med/high	low ¹
Arts & Crafts (export)	low	low	medium	high ²	—	low
Sight-seeing	low ³	low	low/med ⁴	low	high	medium ⁵
Cultural Displays (Museums)	medium	high	medium	medium	high	low ⁶
Hunting & Fishing	medium	low/med ⁷	low	high	medium	high ⁸
Camping	low/med ⁹	low/med ¹⁰	low	low	medium	high ¹¹
Major Resorts	high	high	high	high	high	medium ¹²

[See following page for Notes to Table 1.]

Notes to Table 1.

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1. While on-site non-Indian traffic may be high, it is likely to be concentrated in one or a few places, and therefore less likely to raise significant community concerns.
 2. Largely marketing and administrative skills. A tribe may wish to turn to an outside broker or agent for the first of these.
 3. Primarily maintenance costs; the amount will depend on the nature of the sites.
 4. The size of the labor force requirement or employment opportunity in sightseeing depends substantially on the nature of the sites. In most cases the requirement/opportunity will probably be low.
 5. Wherever there is the possibility not only of high non-Indian traffic on the reservation, but of dispersed traffic, we assume there may be at least some community or cultural concerns. In addition, some specific sites of interest to tourists may be culturally sensitive.
 6. A successful museum, like a successful on-site arts and crafts operation, means high non-Indian traffic, but again, it is likely to be to a single location, and not dispersed throughout the reservation, leading to lower community concerns.
 7. Largely vehicles, fencing, etc., but very much tied to the size and nature of the operation.
 8. These concerns are likely to have to do with both the dispersed non-Indian presence on the reservation and, in some cases, especially in regard to hunting, the commercialization of wildlife.
 9. Depends largely on the nature of the sites — primitive facilities vs. full service facilities — and the size of the staff necessary to maintain them.
 10. Again, it depends on the type of camping facilities being provided.
 11. Having to do largely with the dispersed presence of non-Indians on reservation lands, especially in wilderness or undeveloped areas.
 12. As with museums and on-site arts and crafts, non-Indian traffic to resorts is unlikely to be widely dispersed, reducing community concerns. On the other hand, major resorts involve turning over a sometimes significant portion of the reservation to non-Indian use, and have significant visual impact on the local environment. For these and other reasons, they may raise distinctive concerns of their own.

