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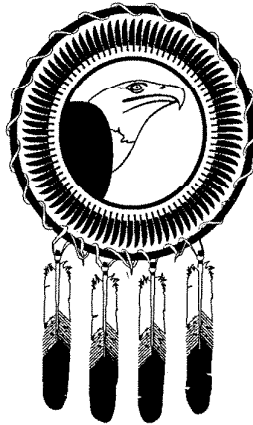
An Economic Development Policy for the Oglala Nation

by

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PREFACE

In 1936, after a history of warfare and broken treaties, the Indian Reorganization Act imposed a constitution upon the Oglala Nation—just as the United States had imposed upon it the boundaries of the Pine Ridge Reservation. And so, government—the framework that binds citizens together into a civil society—was dictated to the Oglala Lakota from the outside.

These foreign “rules of the game” were supposed to drive economic development at Pine Ridge. Determined to stake out their sovereignty, many Oglala have toiled to make this system work for their people. But it does not work. The most important goals of any governmental system—prosperity, good health, education, and preservation of traditional culture for the people it serves—have never been fully achieved at the Pine Ridge Reservation.

The Oglala Nation is not alone in its plight. Throughout the world, other nations are casting off the last vestiges of colonialism and starting down the long road toward sustained economic development. Eastern European nations are rebounding from years of failed centrally-planned economies. Asian countries are succeeding by adapting economic principles to their cultures, rather than sacrificing their own. Tribal nations in North America are using new ideas and sovereign powers to leverage their way toward sustained growth.

The ultimate goal of a good economic development policy is not merely greater wealth for certain individuals at the expense of others. Instead, leaders believe that economic development can lead to economic self-sufficiency and a stronger sovereignty for their nations. But for a variety of reasons, including corruption, discrimination, and the legacy of institutional/cultural mismatch, many nations continue to struggle.

This handbook was researched through numerous interviews, comparative sources, and presentations to Oglala Sioux Tribe (OST) officials. It is the fourth in an ongoing series of reports commissioned by the OST from the Harvard Project on American Indian Economic Development. Last year, two students from the Harvard Project wrote a report on establishing a nation-to-nation relationship between the OST and the United States of America. To the extent that economic development is a critical part of true sovereignty, this work continues and builds upon that report.

The Oglala people exhibit great hope for a coming renewal of tribal independence, spirituality, and pride. As has been characteristic of the Oglala throughout history, this sense of promise comes from a spirit of self-reliance. The people believe that by pooling resources and making certain systematic changes, they can not only continue to persevere, but become masters of their future. In this spirit, the tribe has invited us, as outside observers, to lend our input and insights for their consideration.

EXECUTIVE SUMMARY

BOOK 2 The state of the Pine Ridge economy

The Pine Ridge Reservation of the Oglala Sioux Tribe (OST) is in terrible economic shape, as most people living there are already painfully aware. About 90% of Reservation income comes from Federal sources, and approximately this same amount is spent outside the boundaries of the Reservation. Poverty rates are higher than 60%. Anticipated Federal funding reductions will worsen the problem.

BOOK 2 The role of OST government in economic development

To choose an economic policy, government must first determine the answers to basic questions about the purpose of economic development for the people. The strategy should focus on the individual strengths of the place and people—but it must also fulfill certain economic development roles, such as enforcing contracts, building infrastructure, making policy on a consensus basis, and supporting businesses by spending locally. Government is not good at running businesses.

BOOK 2 An assessment of economic development at Pine Ridge

It is not true, though it is believed by some, that there are no available markets on the Reservation, the Oglala Nation lacks resources, the Lakota people are ineffective workers, or that tribal members cannot agree on anything. In fact, strengths include untapped markets, a potentially productive work force, numerous physical and human resources, and a fair amount of consensus on the goals of economic development. But the OST lacks an economic development policy, OST officials are pursuing different non-viable approaches, government-run businesses and large enterprises have all failed, and OST lacks credibility among Reservation residents.

BOOK 3 The mismatch between Lakota culture and OST government

Governmental structure should match a people's culture. This is not the case for the Oglala Nation, whose constitution was imposed upon them by the U.S. in 1936. This mismatch creates problems of instability and a poor business climate, both of which lead to economic underdevelopment. In fact, this structural mismatch is the primary cause of much of the poor performance of government described in Book 2.

BOOK 3 Towards a national economic policy

Strategy

OST should adopt a 3-part strategy which is *culturally appropriate* for the Lakota and *achievable* with the staff and resources available to it.

- Foster family/individual entrepreneurship.
- Support district-led community development.
- Build a better business climate.

Policy

This strategy can be best achieved with a policy including six parts, including significant reform of the structure of government.

- △ Build consensus through credibility.
- △ Privatize OST business development and management.
- △ Develop Reservation infrastructure and public services.
- △ Remove barriers to investment.
- △ Become a source of information and technical assistance.
- △ Reform the governmental structure.

Action items

These goals require substantive action as soon as possible.

NOW: ❖ Convene district level meetings on economic development. ❖ Reallocate travel money towards local spending. ❖ Stop attempting to develop and manage businesses. ❖ Limit plans to own and manage a motel/ restaurant at Pine Ridge. ❖ Allow independent management of the casino.

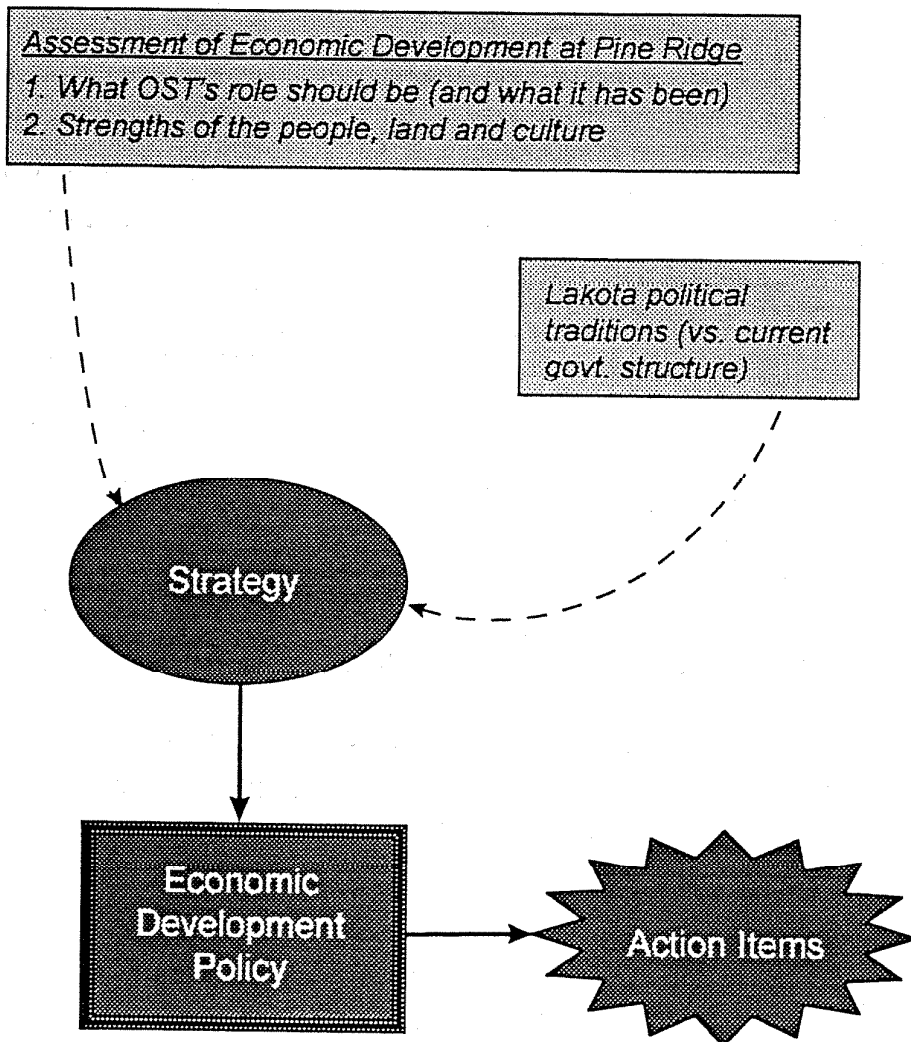
BY NOVEMBER 1997: ❖ Fund local feedback meetings on policy implementation. ❖ Allocate more resources to public information campaigns. ❖ Reallocate resources toward the development of physical infrastructure such as roads and utilities. ❖ Adopt a commercial code. ❖ Write and produce business information materials. ❖ Decentralize selected government activities. ❖ Allocate more resources to district economic development efforts.

BY THE NEXT ELECTION: ❖ Build working relationships with district leaders. ❖ Reallocate resources towards worker training programs. ❖ Streamline the permitting and licensing process. ❖ Allow longer-term land leases. ❖ Create technical assistance units. ❖ Implement a training program on roles of OST officials vs. professional civil servants. ❖ Hold a constitutional convention. ❖ Take steps towards establishing an independent judiciary.

CORNERSTONES OF ECONOMIC DEVELOPMENT

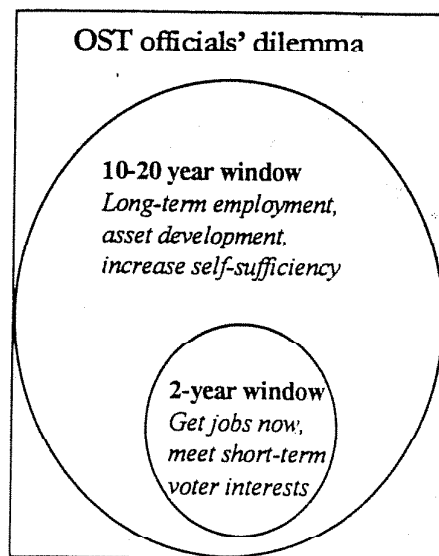
The key to economic development is choosing a good strategy which relies on:

- choosing appropriate roles for the OST government
- using strengths of the people, families, the culture, and the land
- following Lakota political traditions



GOVERNMENT & ECONOMIC DEVELOPMENT

OST officials have to cope with short-term political pressures as they try to meet long-term development needs. But economic development does not mean “jobs now”—it means **long-term economic self-sufficiency**. Government’s role in this process is best understood as providing those things which are not provided by businesses: infrastructure, information, communication, and contract enforcement.



Economic
development can be
defined as *increasing
long-term self-
sufficiency*.

THE ROLE OF GOVERNMENT

- Convene collective efforts
- Communicate and engage with citizens
- Build physical and skill infrastructure
- Enforce contracts
- Support local enterprise

MYTHS AND FACTS

Before making any recommendations, it was crucial to assess the current state of economic development on Pine Ridge Reservation.

First, we needed to separate the myths from the facts.

MYTH: "Markets are too distant, too small, or non-existent."

FACT: Adequate markets exist for the expansion of the economy.

MYTH: "The Lakota are not productive workers."

FACT: Under the right conditions, the Lakota are very productive workers.

MYTH: "The tribe lacks enough resources for economic development."

FACT: A stronger economy can be built upon current resources.

MYTH: "We can't agree on what the tribe should do."

FACT: There is some consensus among important economic actors.

REAL OBSTACLES

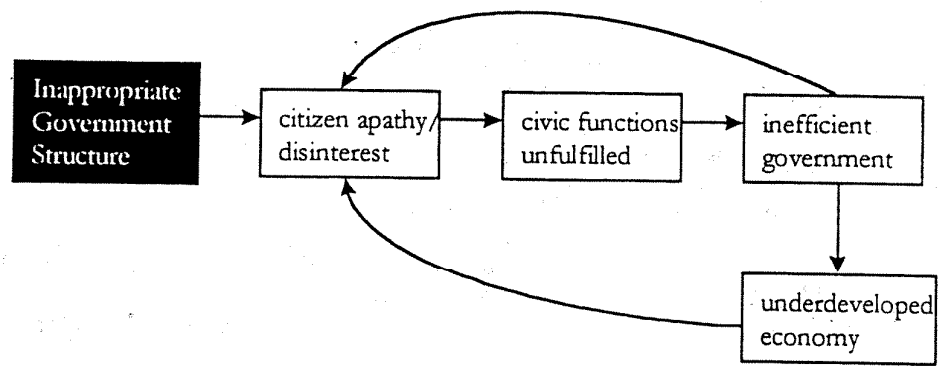
After separating myth from fact, it became easier to answer this question:

What are the real obstacles to economic development on the Pine Ridge Reservation?

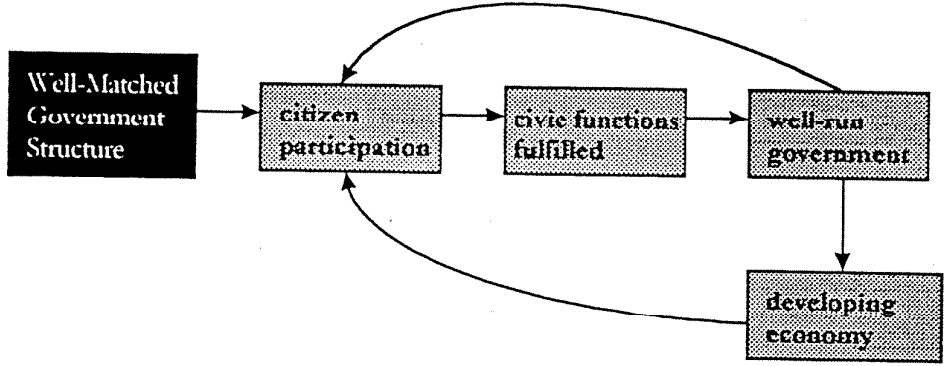
1. OST lacks an economic development strategy.
2. OST officials are trying several non-viable development approaches.
3. Government-run businesses do not work.
4. Pine Ridge Reservation has a poor business climate.
5. OST lacks credibility among its constituents.

LAKOTA POLITICAL STRUCTURE AND OST GOVERNMENT

Lakota culture is highly individual and decentralized. The constitution imposed upon the Oglala Nation in 1936 is highly centralized. This mismatch is one reason for the underdeveloped economy at Pine Ridge Reservation and the lack of an OST economic development strategy:



By changing the structure of government to reflect Lakota political tradition, the OST can begin to address one of the most important causes of underdevelopment and create a more positive cycle of government influence:



RECOMMENDED STRATEGY

After considering the role of government, the myths and findings on Pine Ridge, and traditional Lakota culture, we recommend the following 3-part strategy:

- **Foster family/individual entrepreneurship**
 - Culturally appropriate
 - Build independence
 - Create good jobs

- **Support district led community development**
 - Culturally appropriate
 - Focus on micro-enterprise
 - Build independence

- **Build a better business climate**
 - Support long-term growth
 - Employment as focus
 - Remove investment barriers

RECOMMENDED POLICY

From the three-part strategy comes a national economic development policy for the Oglala Nation.

This six-part policy should guide the next action steps for OST.

- Δ Build consensus through credibility
- Δ Privatize OST business development and management
- Δ Develop reservation infrastructure and public services
- Δ Remove barriers to investment
- Δ Become a source for information and technical assistance
- Δ Reform the governmental structure

POLICY ↓	RECOMMENDED ACTION ITEMS		
	Now	6 Months	12 Months
Build consensus through credibility	<ul style="list-style-type: none"> ✓ Convene district-level meetings on economic development ✓ Reallocate travel money towards on-reservation spending 	<ul style="list-style-type: none"> ✓ Allocate more resources to public information campaigns 	<ul style="list-style-type: none"> ✓ Build better working relationships with district leaders
Privatize OST business development and management	<ul style="list-style-type: none"> ✓ Stop attempting to develop and manage businesses ✓ Limit plans for a motel/restaurant ✓ Allow independent management of the tribal casino 		<ul style="list-style-type: none"> ✓ Create independent Tribal Development Corporation
Develop reservation infrastructure		<ul style="list-style-type: none"> ✓ Allocate resources toward physical infrastructure such as roads and utilities 	<ul style="list-style-type: none"> ✓ Allocate resources towards skill infrastructure like schools and training
Remove barriers to investment		<ul style="list-style-type: none"> ✓ Adopt a commercial code 	<ul style="list-style-type: none"> ✓ Streamline the permitting and licensing process ✓ Allow longer-term land leases
Information and technical assistance		<ul style="list-style-type: none"> ✓ Produce business information materials 	<ul style="list-style-type: none"> ✓ Create technical assistance units
Reform the government structure		<ul style="list-style-type: none"> ✓ Decentralize selected government activities ✓ Allocate more resources to support district efforts at local economic development 	<ul style="list-style-type: none"> ✓ Implement training program for elected / appointed officials ✓ Convene constitutional convention ✓ Begin establishing an independent judiciary

ACKNOWLEDGMENTS

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The Harvard Project on American Indian Economic Development is directed by Stephen Cornell (Department of Sociology, University of California, San Diego) and Joseph P. Kalt (John F. Kennedy School of Government, Harvard University). For the last ten years, the Harvard Project has been carrying out an extended study of the conditions under which self-determined economic development can be successful on Indian reservations. The core research method has been the comparative analysis of development efforts on selected reservations: what works where, and why? A central objective of this research has been to develop information and insights that can be used by tribes themselves as they wrestle with the unique combination of opportunities and obstacles confronting them today.

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EXECUTIVE SUMMARY

The role of OST government in economic development

Before evaluating its economic development effort, government must first determine what outcomes are desired, and what its proper role is.

The purpose of economic development is to achieve economic self-sufficiency, while preserving tribal sovereignty and traditional culture. Officials of the Oglala Sioux Tribe government (OST) recognize this, but visionary long-term goals conflict with short-term political reality. Because of this, OST has tended to choose goals for development which might produce an immediate return in jobs or money flowing onto the reservation. This is a strategy doomed to failure.

There is a better way to choose an economic development strategy. Government's appropriate role is *not* owning or running businesses; it is building infrastructure, providing neutral contract enforcement, building consensus, communicating with citizens and businesses, and supporting local enterprise by spending locally.

Economic development at Pine Ridge: myths and findings

Assessing the state of economic development at Pine Ridge means objectively understanding the strengths and weaknesses of the reservation economy, and the OST's efforts to improve that economy.

Myths about economic failure at Pine Ridge

MYTH: "Markets are too distant, too small, or non-existent."

FACT: Adequate markets exist for the expansion of the economy.

MYTH: "The Lakota are not productive workers."

FACT: Under the right conditions, Lakota are very productive workers.

MYTH: "The tribe lacks enough resources for economic development."

FACT: A stronger economy can be built upon current resources.

MYTH: "We can't agree on what the tribe should do."

FACT: There is some consensus among important economic actors.

The real obstacles for economic development

OST faces a number of real obstacles in its development efforts, including:

1. OST lacks an economic development strategy.
2. OST officials are trying several non-viable development approaches.
3. Government-run business will not succeed.
4. Pine Ridge has an unwelcoming business climate.
5. The OST lacks credibility among its constituents.

THE ROLE OF OST GOVERNMENT IN ECONOMIC DEVELOPMENT

Overview

In this section, we attempt to answer these questions from the point of view of the Oglala people:¹

- What is the purpose of “economic development” and what are possible development goals?
- How should OST officials deal with the tension between short-term political pressures and long-term development needs?
- What is the role of government in a free market economy?
- What are local strengths and local concerns to keep in mind when choosing an economic development focus?

The purpose and goals of economic development

Purpose of economic development

“Economic development” means different things to different people. To some, it means lowering the unemployment rate or increasing average income. To others, it means something more general, such as improving the “quality of life” for people on the reservation. Many Oglalas concerned about improving material conditions for their people also place a strong emphasis on preserving cultural traditions.

Along with these understandings of “economic development” come concerns with maintaining and improving feelings of self-esteem and self-worth of tribal members, and using the land base in a culturally sensitive way.²

Economic development can be defined as *increasing long-term self-sufficiency.*

A broader understanding of “economic development” that considers all the definitions above is *increasing long-term self-sufficiency* of people and families on the reservation. By “self-sufficiency” we mean the ability for individuals and families to thrive on their own labor and capital acquisition without relying on external sources of support.

Some people worry that focusing on measures such as income or employment may tend to break down traditional institutions which provide essential spiritual and emotional sustenance for the Oglalas, such as traditional religious practices and the existence of strong *tiospaye* (band) networks. This concern is warranted and should be kept in mind when choosing an economic development strategy. (See Book 3, “Government and Lakota Culture in Economic Development.”)

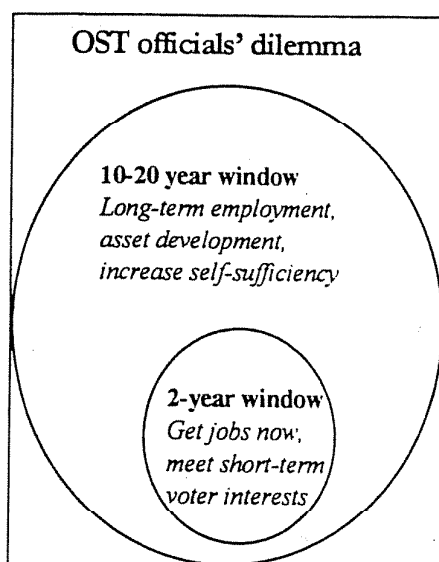
Goals of economic development

To meet the purpose of increasing long-term self-sufficiency, a “first-cut analysis” might identify a number of economic development goals including:

- attracting financial institutions to the reservation,
- providing technical assistance to small business owners/managers,
- attracting outside business investors through marketing campaigns;
- running a loan guarantee program to help businesses get capital,
- enacting commercial codes to improve the business climate,
- creating an independent judiciary to increase the likelihood of long-term business investment,
- focusing on adult workforce development to increase employability of reservation residents.

The OST can't possibly do all of these things at once. In all likelihood, no nation can. It might strategically choose those it thinks will create the most jobs in the short-run—but *this would be a mistake*. While employment is a central concern, especially given “welfare reform,” the concern with creating employment immediately should *not* dominate the choice of how to spend resources.

Visionary long-term goals vs. short-term political reality



The problem of economic development from the perspective of Council members and Executive Officers—all of whom are elected to two-year terms—is readily apparent. They are aware of the need for long-term economic development goals. But they are faced with a political reality which requires them to look for immediate returns, in order to increase their slim chances of winning re-election³ and serving their constituents again with the expertise they have painstakingly gained.

This tension has often led to a non-sustainable strategy focusing on increasing employment and capital *now* without really attempting to solve the underlying problems on the reservation.

How can OST officials gain support for visionary long-term policies in a brief two-year window? In Book 3 we identify immediate short-term actions in recognition of the OST officials' dilemma. Many people on the reservation we talked to believe that long-term self-sufficiency is crucial.

Government roles in economic development

One important criterion for choosing a strategy depends on the general role of government in the process of economic development. What is democratically-elected government usually good at doing to help economic development? In other words, what *appropriate* role does government have to play?

Elected government officials typically gain office because of their understanding of the needs of their constituents—not usually for their knowledge of business, scientific skills, or other traits associated with people in the private sector. Thus, a central government is not typically a source of business management or investment expertise. But even when elected officials or appointed civil servants do possess such skills, the nature of a democratic government runs counter to the day-to-day decision making requirements of businesses, which cannot both operate by majority vote and stay afloat in a competitive market.

Businesses directly run by governments rarely succeed. Usually, they fail. They are much more likely to fail when the government is not a source of business expertise, or when the government is influenced by interest groups. But usually, government-owned businesses are unsuccessful because they are not independently managed.

On the other hand, it is clear that government has other appropriate, essential, and sometimes forgotten roles to play in economic development. Usually only the government can engage in such “public good” activities as:

- Bringing groups or people with different interests to one table, to cooperatively work in ways which increase overall social welfare.
- Communicating with the public and engaging citizens in decision-making in order to better identify and meet their needs.
- Building physical and skill infrastructure—such as roads, utilities, and education—which typically won’t be provided by the private sector and which are crucial for economic development.
- Enforcing rules of personal and business conduct, as embodied in business codes, civil and criminal law, an independent judiciary, and a professional police force.
- Supporting local enterprise by spending locally.

Residents and businesses rely on government to play these roles. When government does so consistently, businesses and individuals are more likely to thrive in and contribute to an economy.

THE ROLE OF GOVERNMENT

- Convene collective efforts
- Communicate and engage with citizens
- Build physical and skill infrastructure
- Enforce contracts
- Support local enterprise

Playing to local strengths

In addition to taking into account appropriate roles for government, the process of determining the best economic development strategy to follow depends in large part on the available budget, available staff time, and staff personnel skills. The best strategy will also depend on the existing organizational structure—the structure of the government as a whole, as well as the jurisdictions, strengths and weaknesses of particular executive agencies and council committees. Political constraints, as noted previously, also should be taken into consideration when choosing a strategy.

We look into the strengths and weaknesses of Pine Ridge in the next section, “*Economic Development at Pine Ridge: Myths and Findings*.” There we introduce our fieldwork results and begin to sketch a picture of the OST governmental structure, misconceptions about economic development, and the real obstacles to economic development which must be addressed when determining national economic development policy for the Oglala Nation.

ECONOMIC DEVELOPMENT AT PINE RIDGE: MYTHS AND FINDINGS

Overview

For years, Native Americans have had to struggle to dispel the racist myth that economic progress was beyond their reach. Some U.S. officials believed that the cultures and traditions of Indian tribes were incompatible with growth in a market economy. This fostered a Federal policy of "trust" dependency on the U.S. government, which led to weak tribal sovereignty. Over time, tribes have proven that they can develop economically in ways that are sensitive to their own values, and begin to gain back their sovereignty.

The citizens of the Oglala Nation are well-informed about past and present economic development efforts, and we have relied heavily on information provided by them. After many conversations and other research on our part, some common misconceptions about economic development became apparent. We rely on residents of Pine Ridge inside and outside government who, by virtue of their experience and interest, can help better explain past and current trends in economic development efforts by OST. Finally, we identify five primary obstacles to a successful economic development effort, and describe these in some detail.

The state of the Pine Ridge Reservation economy

The Pine Ridge Reservation is in terrible economic shape, as most people on the reservation are already painfully aware. Despite recent increases in Federal funding, the reservation economy continues to experience a huge outflow of income and the drain of its most needed human resources. Approximately 90% of reservation income comes from Federal sources, and approximately this same amount is spent off the reservation. Shannon County, contained entirely within the boundaries of the reservation, was the poorest in the U.S. in 1989, with 63% of individuals below the poverty line.⁴ In 1994, the average per capita income in Shannon County was \$8,000, last in the state.⁵ Total unemployment in 1989 was estimated at 71%, though it was probably higher.⁶

Projected reductions in Federal transfer payments threaten to make these conditions even worse. Funding for transfer payments such as Aid to Families with Dependent Children accounted for 43% of all income in 1994;⁷ these payments will decline over the next several years due to welfare reform legislation. Welfare-to-work requirements may force many of the approximately 17,000 residents to leave the area, since less than a hundred mostly small-to-medium sized businesses currently operate on the reservation. This in turn is likely to increase the out-migration of skilled workers.

Myths about economic failure at Pine Ridge

Misconceptions about the causes of economic underdevelopment on the Pine Ridge Reservation obscure the real problems. These beliefs are not shared by all Oglalas, but they are held by a proportion of residents and outsiders. We offer here some different interpretations of what is happening on the Pine Ridge Reservation. Starting on page 10, we provide more detail.

MYTH: "Markets are too distant, too small, or non-existent."

FACT: Adequate markets exist for the expansion of the economy.

- Each year, millions of dollars leave the reservation to purchase goods and services which could be locally provided.
- There is off-reservation demand for Lakota arts and crafts, tourism, and natural resources.

MYTH: "The Lakota are not productive workers."

FACT: Under the right conditions, the Lakota are very productive workers.

- Family businesses have developed reliable work staffs.
- With comprehensive assistance, entrepreneurs have translated energy and creativity into commercial success.
- Culturally appropriate worker management and corporate structure has made the workforce at Prairie Wind Casino very productive.

MYTH: "The tribe lacks enough resources for economic development."

FACT: A stronger economy can be built upon current resources.

- The reservation contains unique historical and cultural resources.
- Many Oglalas are willing to utilize their tourism-related and natural resources in a culturally appropriate manner.
- A large labor pool needs to work and will probably work at competitive wages, if work conditions are right.
- The Oglala Lakota College, the Lakota Fund, and individual tribal members have valuable intellectual and technical skills.

MYTH: "We can't agree on what the tribe should do."

FACT: There is some consensus among important economic actors.

- Many individuals agree on goals of economic development.
- Key people support reforms such as longer terms of office.
- Most individuals recognize the need for better access to capital.

The real obstacles to economic development

The problem is *not* a lack of markets or resources or trainable workers, and the problem is deeper than “too much disagreement.” What are the *real* problems stopping economic development?

1. OST lacks an economic development strategy.

- Different political actors pursue their own strategies that work against each other, not towards common goals.
- The OST intends to move away from central economic planning, but has not made the commitment to decentralize.
- Projects that have been started are often thrown out or radically changed when new officials are elected.

2. OST officials are trying several non-viable development approaches.

- OST is often trying to do too much with too few resources.
- Attracting businesses with incentives is a flawed tactic.
- The casino-led tourism strategy has many problems.

3. Government-run business will not succeed.

- OST has a long history of failed tribally-run business ventures.
- Central governments usually cannot make good business decisions.
- Other tribes that have experienced relative success with this strategy are culturally and/or structurally different from the Lakota.

4. Pine Ridge has an unwelcoming business climate.

- OST has a reputation for incompetence and political interference.
- Barriers to investment include lack of business codes, poor infrastructure (roads, sewer systems, etc.) and lack of capital.
- The judicial system is viewed as unreliable and politically motivated.
- Little good business information exists to inform potential investors.

5. The OST lacks credibility among its constituents.

- OST has a reputation for corruption, inactivity, and being “out of touch” with common people.
- People increasingly look to district governments for leadership.
- OST does not keep its citizens engaged in a mutual process of defining its roles, activities, and future plans.

MYTH: "Markets are too distant, too small, or non-existent."

FACT:

Pine Ridge Reservation consists of a small population living in a relatively large area far from metropolitan centers.

This isolation makes some believe that economic growth will never be possible due to "lack of viable markets."

But adequate markets do exist.

On-reservation markets

Entrepreneurs, business owners, and managers say that Pine Ridge could be an excellent place to do business. All are aware that tribal members do most of their shopping off-reservation, and that this lost business represents a huge amount of lost income for them.

In fact, a 1988 report estimated that more than half of resident income leaves the reservation within 72 hours of arrival, and that \$74 million of reservation income yearly is spent off-reservation.⁸ But the daily mass exodus to border towns for items such as groceries and durable goods and services such as banking, and insurance, could be reduced, and some of those funds captured, if more businesses were developed on the reservation.

The reservation businesses that do exist take advantage of shorter distances and more personal service to the local population. This can be easily observed at establishments such as Big Bat's Texaco, Pinky's, eating places, convenience stores and catering businesses.

Two of the business owners that we spoke to—a caterer and a quilt maker—report that they have a hard time keeping up with current demand. Without the capacity to hire more staff or finance better equipment, they are forced to refuse business. For certain services, even with the small incomes on the reservation, the internal market is large enough to support small businesses. For some businesses, there is even room for expansion.

Of course, there is a limit to the number of businesses that the on-reservation market can support on its own. But there is clearly room for growth.

90% of reservation income goes to off-reservation businesses.

Off-reservation markets

There is also off-reservation demand for resources within the reservation.

The OST Tourism Department has begun to identify how to attract more tourists to Pine Ridge Reservation by working with local districts on tourism visioning plans. The reservation is near the Black Hills and Mount Rushmore, both of which are extremely popular tourist destinations. The Crazy Horse Scenic Byway and the Wounded Knee Historical Site could draw tourists from this market onto the reservation to spend money on unique handicrafts and attractions, with a good advertising plan.

The Prairie Wind Casino attracts about two-thirds of its patronage from the state of Nebraska.⁹ While this does not suggest more casinos should be built, it is evidence that outsiders will enter and spend money on the reservation if there is a product which they demand.

Finally, computer telecommunications and mail order business has significantly reduced the importance of distance in certain markets. In particular, Lakota artisans and craftspeople have had work appear in many catalogs, and the people of the White Clay district have begun to market their crafts on the Internet.

Able entrepreneurs that want to meet this demand face overwhelming obstacles, and potential business investors who might meet market demand are discouraged by a hostile business climate. Without change, more businesses have been forced into the reservation's growing "gray market" of unofficial businesses ventures, causing economic inefficiency. Appendix 1 of this book contains further information on the drawbacks of unofficial economies.

ON-RESERVATION DEMAND

- *Affordable groceries*
- *Banking services*
- *Self-service laundromats*
- *Insurance*
- *Hardware and household items*
- *Automotive services*

OFF-RESERVATION DEMAND

- *Historical sites*
- *Lakota arts and crafts*
- *Environmental/Scenic experiences*

The issue is not a lack of demand, but the lack of efforts to capitalize on existing demand.

MYTH: "The Lakota are not productive workers."

FACT:

The failure of industrial businesses is often blamed on poor worker productivity.

But individual entrepreneurs are able to succeed, relying on their own creativity and depending on family networks.

With transitional assistance, and work environments more consistent with Lakota culture, even workers in U.S.-style business environments can be productive.

Small businesses & family networks

Many small businesses, such as Angel's convenience store in Kyle and Rosemary's Catering in Pine Ridge Village, use extended family ties to recruit and retain workers. Hiring family members or family friends increases worker trustworthiness and the quality of communication. Lakota small businesses that rely on family members are characteristically flexible, working together to achieve business goals. The importance of families in traditional culture is no doubt an important reason for the relative successes of such small businesses.

Entrepreneurship and comprehensive assistance

Poor Lakota work habits are often blamed for the failure of large-scale businesses on Pine Ridge. Workers often did not show up on time, or were absent frequently. Some of this problem can be attributed to ignorance of culturally-appropriate management practices. Worker training and transition-to-work assistance can also play a role.

The Lakota Fund has shown how transitional assistance can help people help themselves to become more economically independent. The Lakota Fund stresses accountability and individual determination in meeting mainstream lending expectations. But it also provides business classes, basic life skill training, addiction treatment and personal counseling.¹⁰

Several loan recipients volunteered the information that being held accountable

was helpful to their future efforts. This is a lesson which has bearing on worker development generally, not just for individuals owning and running their own enterprises.

Culturally appropriate management and corporate structure

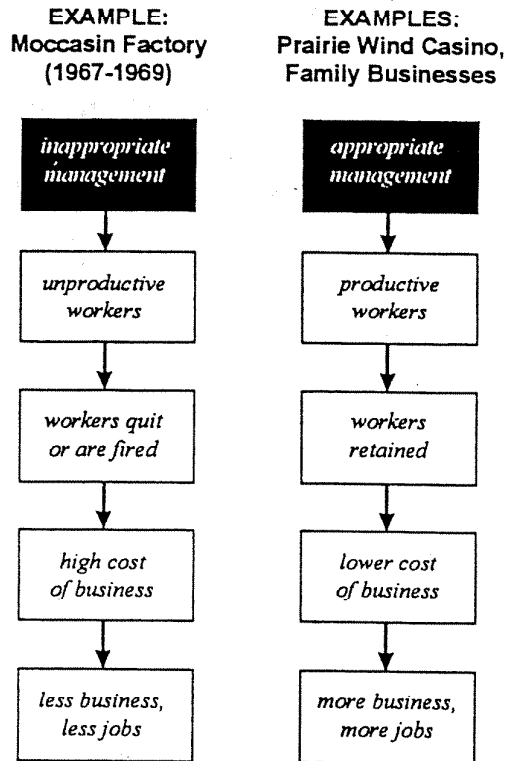
Few people in North America have had the interest, expertise, or opportunity to manage Native American workers. Some managers with little understanding of Lakota ways have used U.S. management styles with the Lakota, and interpret poor performance as the result of poor work habits, which is certainly partially true.

But when cultural factors such as the importance of family, independence, and traditional practices are considered, the Lakota can be effective workers. The well-run service environment at Big Bat's Texaco is proof that, after weathering initial turnover, a responsible workforce can be formed in a small business setting.

The new management of the Prairie Wind Casino has put together a solid workforce of approximately eighty workers, in part by taking into consideration Lakota traditions. Part of getting the most productivity out of Lakota workers is understanding and respecting cultural practices. As a Lakota himself, the current manager understands the importance of the Sun Dance, powwows, and sweat lodge. Accordingly, time off is given to workers to participate in these ceremonies.

The current manager has also created a employee-staffed personnel committee which screens applicants for open jobs and manages the first step in the worker grievance procedure. This innovation avoids the reliance on hierarchy which appears to have doomed other large

businesses at Pine Ridge, while allowing for worker "ownership" of management. When the corporate structure is more culturally appropriate, the longevity of the business is sustained, which benefits both employees and the economy:



WORKER PRODUCTIVITY FINDINGS

- Individual entrepreneurs and family-run businesses are naturally successful environments for Lakota workers.
- In large businesses, a culturally-appropriate management style and structure is effective.
- Worker training and transitional assistance will be important in raising chances for worker success.

MYTH: "The tribe lacks enough resources for economic development."

FACT:

To many, Pine Ridge Reservation seems relatively barren and devoid of natural resources.

This has led to the claim that economic development here is an impossible task.

But substantial physical, financial, intellectual, and spiritual resources exist within the Oglala Nation.

Some resources are lacking...

Over the years, as treaties were broken and the reservation was reduced in size, many of the most precious resources of the Oglala have been taken out of the hands of the Nation. The Black Hills were stolen and exploited by prospectors, and the Sacred Hoop was broken at Wounded Knee. Meanwhile, the Federal funding which was supposed to provide redress for these wrongs is steadily dwindling.

But enough key resources exist

Nevertheless, the OST and its people have real, concrete resources for economic development. And it has access to resources other than those which it directly controls.

Throughout the year, OST makes decisions about the use of Federal funds. These funds are a crucial resource for tribal development and, wisely spent, can be the spark for economic development.

Much has been said about the abundant natural and tourism-related resources on the reservation. Natural resources include vacant land, wildlife, and minerals. Proximity to such sites as Mount Rushmore, Badlands National Park, and other scenic areas as well as the potential for camping and hunting activities form the potential basis for a tribal tourist industry. Communities in some districts have shown a willingness to utilize these resources in a culturally appropriate way.

The historical and cultural resources of the Lakota are unique in the world. To the extent that is appropriate, these resources can be shared with people from other

cultures for economic gain. Outsiders have capitalized on these resources by making movies, documentaries and books about Lakota people—evidence of the outside world’s interest in Lakota history and culture. The reservation economy has seen little benefit from this exportation of their cultural heritage.

Another critical resource is a large labor pool that is (or soon will be) searching for work. Workers can and will move off the reservation freely, and lack of jobs may force a pattern of out-migration. But as the OST steps up its efforts to develop worker skills, support small businesses and create a climate in which businesses can invest and grow, the people themselves must prove that they are the Oglala Nation’s greatest resource.

There is a great river of talent on the reservation ready to irrigate an economic development effort, if it can only be channeled. This talent pool includes numerous Oglala *entrepreneurs*, with growing business experience; the *Lakota Fund*, with expertise including lending, worker training, personal development training, housing, and business relations; the *Oglala Lakota College*, which graduates a number of skilled people, provides a research center for reservation life, and is a good example of a successfully decentralized institution; many *individual scholars and workers* who have sought success elsewhere and are now returning to the reservation; *district government leaders*, who have expertise in local matters and also have the communication channels to be successful; and *tribal elders and spiritual leaders*, who can provide much-needed wisdom and guidance to many endeavors.

TRIBAL MEMBER RESOURCES OF THE OGLALA NATION	
• <i>Entrepreneurs and small business owners</i>	<i>business experience</i>
• <i>Lakota Fund</i>	<i>lending, personal development training, housing, business relations</i>
• <i>Oglala Lakota College</i>	<i>skills training, research, administration expertise</i>
• <i>Individual scholars and workers</i>	<i>off-reservation business and government experience</i>
• <i>District govt. leaders</i>	<i>understanding of local conditions</i>
• <i>Tribal elders & spiritual leaders</i>	<i>wisdom & guidance</i>

The resources for economic development exist. The challenge is putting these pieces together in the right way.

MYTH: "We can't agree on what the tribe should do."

FACT:

Many of the Lakota whom we met were very independent minded.

This is a character strength, but it sometimes makes people believe that no one agrees with each other.

There is plenty of philosophical consensus among the Oglalas and some agreement on important economic development issues.

When tribal members focus on differences and disagreements, very little gets accomplished. Instead, much energy and time is spent on disagreeing. Sometimes, one individual we spoke to said he disagreed with another individual, even though it turned out that they had very similar ideas. The problem here may be a lack of communication between members of different agencies, sectors, or factions.

In addition to business managers, small business owners, and entrepreneurs, we spoke to staff at many of the key political and economic agencies on the reservation, including the Tribal Employment Rights Office, the OST Economic Development Office, the OST Office of Tourism Development, the OST Council, the Council's Economic Development Committee, the OST Executive Office of the President, OST District Councils, the BIA, and the Lakota Fund. In these conversations we found much agreement on economic development *goals* and *action items*.

The conflict which beset the reservation soon after it was formed has persisted. The cultural tendency among Lakota towards individualism now runs unchecked, because there is so little civic engagement to give rise to cooperative effort. Perhaps this is why so many people assume that nobody agrees with them. It can be the OST's role to be consensus builder. But it will take time and patience.

Spiritual unity has been growing on Pine Ridge since the conflict-ridden years of Wounded Knee II.

The next step is to forge agreement on economic development action steps.

Consensus on economic development goals

Practically all of the people who shared their opinions expressed some general philosophical agreement in principle on the purpose or goals of economic development. This agreement is a basis for further cooperation. Many of these points are indicative of the strong beliefs that played a part in stabilizing the Pine Ridge Reservation after Wounded Knee II in 1973. Most Lakota leaders and citizens agree:

- Economic development policies, whether U.S. or tribal, have not worked and should be changed.
- There must be more long-term planning for economic development.
- While the U.S. is responsible for the historical plight of the Lakota, future success will come mainly from the efforts of the Lakota people.
- If the Oglala look within themselves and their Nation, they *will* find the resources and strength to develop themselves.
- Spiritual and cultural traditions are a source of strength, and should be fostered and protected.
- Economic development can occur while cultural heritage is preserved.

Consensus on economic development action items

Agreement on the general goals of economic development can bring people together to discuss the eternal question: what should we do? Already, many tribal leaders agree on certain economic development issues which should give rise to direct action. Lack of communication and suspicion of motives may be preventing action on these important ideas:

Businesses should be run by business people, not by government: Almost every government official and non-governmental expert or business person agrees that government-run businesses have failed and are likely to continue to fail. We heard this in personal interviews, and read it in many government economic development plans. Yet some continue to pursue a strategy of tribally-managed businesses.

Longer terms of office are needed: "Two years is not enough to accomplish anything." As one might expect, many politicians made this claim. But what may not be known is that many tribal members who are not associated with government agree that longer terms are necessary.

A bank is desperately needed on the reservation: Many businesses carry a huge costs because lack of adequate banking facilities, acting as de-facto check cashing services and spending large amounts of time in transit to and from off-reservation banks. These business owners see an immediate need for banking services. Many were surprised to hear that tribal council members and government agencies are trying to address this need.

1. OST lacks an economic development strategy.

Different political actors pursue their own strategies that work against each other, not towards common goals.

The OST intends to move away from central economic planning, but has not made the commitment to decentralize.

Projects that have been started are often thrown out or radically changed when new officials are elected.

The first step in determining the value of an economic development strategy is to determine what the strategy is. When the strategy is not clear, it is difficult for people to rally behind the cause. Outside agencies that are willing to provide assistance need to know what OST's strategy is before they can help. Many resources will be wasted or remain unused until a coherent strategy is adopted.

Different people... different strategies

Many people have had the opportunity to serve in the OST government in some capacity. Those who are not currently holding elective office may fill an appointed position or a civil service job until the next election. The result is that many people with authority in OST have some experience with economic development. Some people use whatever authority they have in a process of endless speculation and energy toward landing the next "big fish." Instead of a unified strategy using resources to pursue common objectives, an individual hopes his own strategy will be the successful one.

Someone may think tourism is the key and will use his connections to pursue a motel. Another may think attracting a large retail store will help the economy. Others bet agriculture can be sustainable. Some pursue improved infrastructure.

Some or all of these tactics may be good ideas for the whole tribe, but because no one has the resources to ensure success, valuable time and energy is wasted. Also, because plans are not coordinated, OST often does redundant work, or worse, works in one department to the detriment of another.

Written strategic plans

In theory, OST has methods for developing an economic development strategy, and has attempted to put a coherent plan in writing on many occasions. Unfortunately, while these strategies may be substantively sound, they are rarely agreed upon in practice.

For example, a 1994 Economic Development Plan written after an economic summit was impressive for its completeness, with suggested timetables for implementation.¹¹ Among the most notable goals were the development of independent management, fostering of entrepreneurial private development, and development of districts and community infrastructure. Yet few seem to be aware of the details of the plan and little has been done to implement it. Some claimed that these plans were written by a few people mainly to meet Federal requirements that a plan exist on paper.

Lack of continuity in stated goals

A coherent strategy must also be durable over time. In most nations with free elections, economic plans are altered when new leaders gain office. But in many cases, a professional civil service tends to prevent radical changes in policy. New leaders try to build on successes and learn from failures.

Economic development plans at OST lack this element of continuity. Instead, plans change drastically in new administrations. Instead of building on good projects, success stories of political rivals are torn down. When leadership changes, there is often a wholesale change of personnel in offices such as the economic development office. This practice greatly hinders the development of long term plans needed for economic development.

Because plans are not coordinated, OST often does redundant work, or worse, works in one area to the detriment of another

ECONOMIC DEVELOPMENT STRATEGY AT PINE RIDGE LACKS...

- *Coherence—no one can say what the strategy is.*
- *Commitment—no one follows the strategies in practice.*
- *Continuity—strategies change after every election.*

2. OST officials are trying several non-viable development approaches.

OST is often trying to do too much with too few resources, as a natural response to an overwhelming problem.

Some officials like the idea of attracting large businesses with incentives, but this is a flawed tactic.

The current casino-led tourism strategy is problematic, and may fail because of political interference.

OST does not have a coherent economic strategy. Instead, a “do everything” policy is the response of key officials to the overwhelming difficulty of the problem. Other officials tend to focus on specific tactics. But even these particular tactics are unlikely to produce long term economic growth for the tribe.

The “do everything” strategy

Building a list of goals that would benefit the tribe and then pursuing all of them really is not a strategy at all. At the time this study was conducted, the OST Economic Development Office, with around six staff, was working on the following:

- build the basis for district cooperation in tourism development,
- finance a tribally-owned motel/ restaurant,
- plan an economic summit involving numerous outside agencies including the Federal Reserve,
- plan to bring financial institutions onto the reservation,
- investigate and develop a lumber partnership with the Oneida Nation,
- write a grant proposal for tourism funding.

These are just some of the assigned tasks and don't include others which individual staff members take upon themselves. Each one of these goals requires a certain amount of time to plan, build relationships, and make decisions. Each requires a certain expertise and commitment for success. And the Economic Development

Office has a more coherent vision than other OST offices.

In attempting to do all of these projects at once without direction as to which are priority items, not even a few will fully succeed. The same kind of do-everything strategy is seen in the Council and the Executive Office of the President.

The “bring in a business” strategy

OST officials are fond attempting to use incentives, such as subsidies or access to attractive capital sources through Federal programs, to get an outside business to set up in the reservation to provide goods, services, and jobs to tribal members.

Good businesses make decisions based on the bottom line. When governments distort the bottom line by giving businesses incentives like tax breaks, free land, or free buildings, businesses may locate to that area. This may create new jobs. But the government adopting this strategy may be the loser in the long run.

First, the kinds of businesses that are attracted by these incentives are often poorly-run and would not survive without incentives. Sometimes a government commitment is made to these businesses and then incentives must increase to keep the business afloat. This “corporate welfare” can be a huge burden on the tribe. Or incentives can be promised for a limited time. But some firms see this as an opportunity to make a quick profit until the incentives are removed.

For good businesses, skilled workforce, good infrastructure, and access to markets are all much more important than subsidies.

STRATEGIES THAT DON'T WORK	
<i>Do Everything at Once</i>	<ul style="list-style-type: none"> * poor use of resources * goals aren't achieved * does not build expertise
<i>Business Subsidies and Incentives</i>	<ul style="list-style-type: none"> * attracts uneconomical businesses * costs often outweigh benefits
<i>Running a Tribal Business</i>	* see next page

The “run-a-business” strategy

The idea of finding business for the OST to own and manage seems to be the most popular tactic among OST officials, for understandable reasons. It is also probably the worst of all the tactics we have identified. This issue is discussed in detail in the next section.

The “casino-led” strategy

If there is a common current strategy for the OST, it is a plan to build a tourist industry on the back of casino revenues. We believe this strategy has some positive aspects and is well- intentioned, but is flawed in a number of ways. In **Appendix 2** at the end of this book, we discuss the strategy in detail as a case study.

3. Government-run business will not succeed.

OST has a long history of failed tribally-run business ventures.

Central governments usually cannot make good business decisions.

Other tribes that have experienced relative success with this strategy are culturally different from the Lakota.

Evidence from the past

According to tribal records, “without one exception, tribal owned manufacturing ventures on the Pine Ridge Reservation have failed, often leaving the tribe with only debt and empty buildings.”¹²

Failures include a fishhook snelling operation, a moccasin factory, a plastics plant, a meat processing plant, an archery manufacturing operation, and an electronics assembly plant.

Two businesses currently controlled by the tribe—Cedar Pass Lodge and the Prairie Wind Casino—are experiencing some success, but their chances of future success decrease with more OST involvement. One positive feature of Cedar Pass Lodge is an independent management group. However, independent management alone does not assure success of tribally run businesses, as is evidenced by legal problems with the previous managers of the casino.

The casino presents a special circumstance where Federal law requires a certain amount of tribal government involvement. However, even this venture could benefit from greater separation from OST.

Despite a history of failure, OST is still focusing much of its staff energy toward new tribal business ventures.

Why tribal-run businesses don't work

The failure of tribal businesses is not due to some lack of skill, desire, or good intentions of OST. Rather, government-run businesses throughout the world are inclined to fail because of the limitations of governmental institutions.

Market and risk assessment. Access to certain kinds of authority, such as zoning variances, government land, and legislative flexibility, makes starting businesses seem simpler for governments than private actors. However, such businesses tend to be highly uneconomical and ultimately fail in the free market.

The government is often unable to sufficiently assess business risks. Because private actors risk their own money and reputations, they are more careful about choosing profitable businesses, innovating when necessary, and running efficient operations to cut costs. And governments don't have the kinds of expertise that business people do.

Decision making. Without truly independent management, tribal enterprises become much less likely to do well. Government is representative of group interests, and the process of disagreement and deliberation causes costly delays in decision making. Crucial business decisions that deal with customer service, personnel issues, or pricing must be made quickly in a process that is flexible and apt to change.

Also, the need for compromise to accommodate different special interests leads to bad business decisions. Unlike businesses, which focus on one goal—maximizing profits—government has many goals such as equality of services, fairness of decisions, and addressing public opinion.

Relative success of other tribes

Some tribes across the nation have found relative success with running tribally owned enterprises. Notable are the Mashantucket Pequot (Foxwoods Casino), the White Mountain Apache (ski resort and mining), and the Oneida Nation. The Oneida experience is so convincing that the

OST has sought their assistance in establishing new businesses.

But the tribes that have succeeded are different culturally and/or institutionally from the Oglala Nation. Some have traditions that support hierarchical structures, and some are smaller, making accountability easier. The traditions of the Lakota, on the other hand, are of strong independence and resistance to imposed authority, and the Oglala Sioux are quite large in numbers compared to other tribes. The Lakota were traditionally organized on the individual and family level, banding together as a greater tribe only for major hunts, spiritual gatherings, or war.

	<i>Independent</i>	<i>Council-controlled</i>
<i>Profitable</i>	34	20
<i>Not profitable</i>	5	14
<i>Odds of profitability</i>	6.8 to 1	1.4 to 1

The tribes that have successfully run tribal-businesses are different culturally and/or institutionally from the Oglala Nation.

4. Pine Ridge has an unwelcoming business climate.

WHAT BUSINESSES NEED, AND WHAT THEY FIND ON PINE RIDGE		
	<i>Need</i>	<i>Find</i>
<i>Legal Structure</i>	<ul style="list-style-type: none"> ✓ Commercial codes ✓ Police-backed laws ✓ Fair court system 	<ul style="list-style-type: none"> * No commercial codes * Unreliable, unresponsive police force * Politicized courts and judges
<i>Infrastructure</i>	<ul style="list-style-type: none"> ✓ Transportation access to suppliers and customers ✓ Reliable utilities 	<ul style="list-style-type: none"> * Crumbling roads * Public services are neglected
<i>Government Role</i>	<ul style="list-style-type: none"> ✓ Clear and consistent rules and procedures ✓ Single point of contact ✓ Freedom from unnecessary interference 	<ul style="list-style-type: none"> * Confusing licensing procedures * Many officials with overlapping authority * Political judgments can end business
<i>Financial</i>	<ul style="list-style-type: none"> ✓ Access to start-up capital ✓ Long term financing opportunities 	<ul style="list-style-type: none"> * No banking institutions * Short term leases
<i>Attitude and Assistance</i>	<ul style="list-style-type: none"> ✓ Feeling of support ✓ Government cooperation ✓ Nearby business services 	<ul style="list-style-type: none"> * Environment of suspicion * Business is "on its own" * Few or no services

What businesses need to operate

“Business climate” is a general term used to denote all of the factors that affect the feasibility and profitability of businesses in a certain location. We have focused on factors in five major categories:

Legal structure. In order to assess risk and conduct transactions, laws that enforce contracts, define criminal activity, and set commercial guidelines are fundamental to business survival. These laws have force because of fair and objective “third-party” enforcement—generally by a police force and independent judiciary.

Infrastructure. Publicly-provided services make it possible for businesses to serve customers at competitive prices. A good transportation system can handle increases in consumer traffic, assist employees, and attract business suppliers. Businesses can’t afford to build roads; governments benefit from doing so.

Government role. Clear and consistent rules and procedures ease the regulation burden, as does having a single, consistent contact to deal with businesses. And freedom from political interference makes running a business more attractive.

Financial. Businesses need access to capital to get started and to expand. For this reason, long-term leases are preferred to allow for collateralizing of loans.

Attitude and Assistance. Businesses look for government support and cooperation. They also need other businesses to supply them with the business goods and services they consume in producing *their* goods or services: catering, accountancy, cleaning services, lawyers, and so on.

Business reality on the reservation

Legal structure. With no building, business, or other commercial codes at Pine Ridge, there are no clear rules of business. Even if these codes are passed, there is no assurance that they will be enforced.

Judges are politically appointed and have difficulty being independent because of the threat of removal. This results in the perception that businesses and citizens cannot get fair trials.

Infrastructure. The inadequacy of infrastructure on the reservation has direct impacts on businesses.

Convenience store owners mentioned that only one wholesaler was willing to deliver goods, at a high markup, due in part to bad roads.

Government Role. We observed Council members and Economic Development Office staff dealing with different financial institutions, and numerous politicians and officials dealing with businesses including large retailers, artists, ranchers, and many other business interests. Businesses that get interested in Pine Ridge eventually discover that the person they were dealing with is only one player in a large web of rules and political gamesmanship. At any time during the process of permitting a business, officials may delay the process.

BUSINESS STORIES FROM PINE RIDGE

- *A businessman mentioned that police would not assist him in legally collecting on a debt, and in fact, punished him for attempting to do so.*
- *Two store owners complained that they have to discipline shoplifters themselves; police officers often fail to respond to calls or file reports.*
- *A small business owner is doing well, but can't expand her business until an adequate sewer system is installed.*
- *A businesswoman built sidewalks for her community after years of waiting for government action.*

Financial. Start-up capital for new business creation is scarce on Pine Ridge. Many businesses got started because of a streak of luck or tragedy. One business owner obtained a federal small business loan because of a disabling event. Another converted an insurance payment after a personal tragedy into a convenience store operation.

The Lakota Fund provides small loans for businesses, but it is only one source. The nearest banks are off-reservation, and many are wary of loans to Pine Ridge residents.

Attitude and assistance. While suspicion of investors is based in historic fact, it discourages the establishment of good businesses that can help the economy.

Stores are burdened by providing credit and check cashing services that a bank would be better able to do. Lack of insurance, communication, and transportation services has driven many craft businesses off the reservation.

A "better business climate" includes all those things that government can do to improve conditions for ordinary citizens: better roads and schools, fairer courts, less government interference, and more cooperation.

5. The OST lacks credibility among its constituents

The public image of OST

We looked at the image of OST from many perspectives.

Most residents and eligible voters pay little attention to the actions of the central government. A recent study by the Oglala Lakota College confirms that most people see their district government heads as their primary leaders.¹⁴

Business people also felt that the main challenge was not to work with OST, but to find ways to succeed despite government demands. They believe that government neglects its role, or when it tries to do something, it takes too long. Many businesses search for ways to avoid dealing with government.

Many people believe that government workers travel too much. All the conferences that people attend seem to have no visible effects on the reservation. Some businesses resent that government workers would rather give their business to restaurants and services off-reservation.

Ironically, many people in OST feel most of their work time is spent serving individual constituents. For example, many people including the tribal president are busy dealing with individuals about issues such as propane service or government checks. All of this effort does not seem to be improving anyone's chance of reelection. In the meantime, the general public image of OST continues to deteriorate.

Causes of OST's poor public image

The art of governing is in many ways a balance between giving people what they need and giving people what they want.

OST has some good ideas of what the tribe needs in terms of new law and public services. But there is no clear connection between what OST does and people's daily lives. Part of this is OST's failure to communicate its intentions and reasons for action. However, a concerted effort was made to educate the public on the current project to improve the water works. The result has been a better connection by the public between government action and improved service.

OST is also failing to acknowledge and act on the people's preferences. Being out of touch with constituents leads to actions that further alienate the government and destroy political support.

Culture may explain some of this problem. Given the traditional Lakota focus of the *tiyospaye*, it is not surprising that districts appear more relevant to the average individual.

This finding is especially important given the positive relationship between government credibility and economic development found throughout the world (see Appendix 3).

A recent study by the Oglala Lakota College confirms that most people see their district government heads as their primary leaders.

ENDNOTES

1. This section is based on a presentation, and feedback from the presentation, given to the Economic Development Committee and other OST officials in January 1997.
2. Concerns about land use are voiced by many reservation residents (not typically central tribal government officials or staff) who say they prefer no mining or land exploitation to occur on the reservation, despite the presence of potentially lucrative mineral resources such as zeolite. This is a matter of some controversy.
3. Turnover on the Pine Ridge Reservation is astonishingly high for both Executive Officers and Council members. For example, only one president has ever served two terms consecutively. Roughly one-half to two-thirds of Central Tribal Council members are voted out of office in a typical election year.
4. *County Income and Poverty Estimates*, 1990 Census Estimates: South Dakota 1989.
5. Bureau of Economic Analysis, 1994.
6. U.S. Department of the Interior, Bureau of Indian Affairs, "Indian Service Population and Labor Estimates," January 1989.
7. Bureau of Economic Analysis, Department of Commerce, 1994.
8. Sherman, 1988.
9. Wilson, George (interview).
10. Lakota Fund materials, 1996.
11. Oglala Sioux Tribe, 1994.
12. Steele 1996a.
13. Cornell & Kalt 1992a, Table 4.
14. Oglala Lakota College, leadership survey, 1994.

APPENDIX 1

Lessons from other nations: Eastern Europe and Latin America

Individuals informally selling services and crafts without the official status of a business, or trading and bartering to get the things that they need, are said to be operating in the "gray market." The growth of unofficial business on Pine Ridge is not without its costs.

The following is an excerpt from a report written for the World Bank entitled *From Plan to Market: World Development Report 1996*, p. 27. (See Sources.)

The growth and costs of unofficial economies

Transition has brought marked growth in countries' unofficial economies. Many commercial and even many productive activities go underground to evade high and volatile taxes, circumvent restrictive and often unpredictably changing government controls, and employ workers flexibly and cheaply. Estimates based on electricity consumption suggest that, between 1989 and 1994, the share of unofficial activity in the economy grew, on average, from 18 to 22 percent in a sample of Central and Eastern European countries and from 12 to 37 percent in a sample of Newly Independent States. Surveys in Ukraine confirm a very large unofficial economy.

Unofficial economies tend to be large where political controls have weakened, economic liberalization is lagging, and burdensome regulations and high taxes make the formal environment hostile towards the newly developing private sector. Where the informal economy has grown significantly, it has cushioned the output decline and provided an outlet for entrepreneurial talent. But it is mostly a "survival" economy that focuses on short-term objectives, invests little, and loots state assets. Firms waste time and money in their efforts to get around controls and taxes. These efficiency losses, and the difficulty of conducting certain transactions unofficially, limit its growth. Informalization also lowers government revenues and encourages capital flight. And by its very nature it breeds corruption and undermines the credibility of formal market and government institutions. Thus, a growing informal economy is no substitute for a formal, open private sector, but in fact eventually impedes its development.

In Latin America, where informalization has been most extensive (Bolivia, Peru), growth has been slowest. Measures that have helped in Latin America to bring the informal sector back into the economic mainstream are likely to work in the transition economies as well. These include a sharp reduction of regulatory constraints and a more professional government administration.

APPENDIX 2

Problems with a current strategy: casino and tourism

The tribe has a moderately successful government-run casino. One current policy that seems to have some credibility is to use profits from that business to invest in government-run tourism projects. Tourism development has great potential, but OST needs a less problematic strategy.

The Rationale

- Other tribes use casinos to lead their development strategies.
- The casino has been somewhat successful at bringing in money from off-reservation, and it is the most steady business source of tribal revenue.
- In 1995, tourists spent \$498.8 million in South Dakota.

Action steps taken

- Most casino profits are funneled to OST government.
- Formation of a committee on tourism comprised of district leaders and lead by a team from the economic development office.
- Plans for toll booths along a proposed scenic "Crazy Horse Trail."
- Dialogue with people of Wounded Knee district regarding a historic site; also incorporating a dispute resolution system.
- Plans for a tribally-run motel/restaurant

Problems with this strategy

1. Success of the U.S. gaming industry is not likely to last in the long-run

- As the gaming industry grows, high competition will increase payout ratios, greatly decreasing profits.
- Some tribes are feeling a backlash from neighboring states which are resentful of Indian success. States are taking steps to limit the gaming industry.

2. Government taking casino profits jeopardizes its success

- Decisions for using at least half of profits should be in the hands of management to make the best decisions about investment and business growth.
- Government decisions are unlikely to be business-wise. This will limit the casino's ability to expand, create jobs, and build job skills.

3. *Although involving districts is a good idea, central government is assuming too much of a commanding role*

- Districts feel as though they are being told what to do by OST rather than being supported in their efforts to develop district business.
- OST is not assuming an appropriate role such as: supplying information resources; bringing in experts on tourism development; encouraging new ideas; providing marketing for the entire reservation (although OST *is* creating a brochure); forming business connections with districts; or improving reservation infrastructure such as roads and utilities so that tourists can more easily access businesses.

4. *Tourism needs OST coordination, consistency, and commitment. These are not present*

- Economic development staff working on this area feel abandoned and unsupported. Other OST leaders discredit their efforts.
- For example, confusion and unclear commitment has lead to failure to pay a tourism consultant for services rendered.

5. *Toll booths on roads are likely to decrease tourism*

- The proposed “Crazy Horse Trail” is currently free, but few travel on it (about 100-150 per day at peak times). The road has neither the reputation nor amenities to warrant charging a fee. The likely outcome is that far fewer people will travel on the road and people will start to avoid the reservation.
- A better idea would be to set up information booths welcoming visitors and directing them to various cafes, lodges, campsites, historic sites, scenic sites, and craftspeople—in short, directing tourists to where they can spend their money on the reservation.

6. *Tribal members may see tourism as culturally inappropriate*

- Tourism always brings a risk of cultural exploitation or defamation. OST has been quite careful to be aware of concerns, but it has not always communicated its intent to the public. Many still worry that tourism will hurt the Oglalas’ way of life.

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EXECUTIVE SUMMARY

Government and Lakota culture in economic development

Traditional Lakota political traditions and OST government do not match. The IRA-imposed constitution causes instability and economic underdevelopment. The government must reform its own structure to protect business interests, create employment, and begin to play a role in economic development.

Strategy, goals and action items

A coherent strategy for economic development

- Foster family/individual entrepreneurship.
- Support district-led community development.
- Build a better business climate.

A national economic development policy

- Build consensus through credibility.
- Privatize OST business development and management.
- Develop reservation infrastructure and public services.
- Remove barriers to investment.
- Become a source of information and technical assistance.
- Reform the governmental structure.

Action items

NOW: ❖ Convene citizen meetings on economic development. ❖ Reallocate travel money towards on-reservation spending. ❖ Stop attempting to develop and manage businesses. ❖ Limit or stop plans to own and manage a motel/restaurant. ❖ Allow independent management of the casino.

BY NOVEMBER: ❖ Create a public information campaign. ❖ Reallocate resources towards physical infrastructure development. ❖ Adopt a commercial code. ❖ Produce business information materials. ❖ Decentralize selected government activities. ❖ Allocate more resources to district economic development efforts.

BY THE ELECTION: ❖ Build better working relationships with district leaders. ❖ Reallocate resources towards worker training programs. ❖ Streamline the permitting and licensing process. ❖ Allow longer-term land leases. ❖ Create technical assistance units. ❖ Implement a training program on roles of elected/appointed officials vs. professional civil servants. ❖ Hold a constitutional convention. ❖ Take steps towards establishing an independent judiciary.

GOVERNMENT AND LAKOTA CULTURE IN ECONOMIC DEVELOPMENT

Overview

Traditional Lakota culture and the government which was imposed on the Oglala Nation in 1936 are at odds with each other. We describe this mismatch, its effects on government stability and accountability, and its effects on the protection of business interests. Reforming the government structure can lead to a more representative government, better conditions for business, and greater chances for economic development.

The history of the Oglala Sioux political structure

Lakota culture before the advent of the white man was highly decentralized and individualistic.¹ *Tiyospaye* (bands), not the Oglala tribe, were the largest political units. Band authority was invested in a cadre of leaders (*itancan*) for whom respect was based on ability, charisma, and personal and familial relationships. The *wicasa yatapika* ("men they praise") were councillors and judges, whose pronouncements had no formal authority but whose wisdom was respected and who were a crucial part of contract enforcement and dispute resolution. Marshals (*akicita*) were responsible for meting out punishment and enforcing council proclamations.

After the Fort Laramie Treaty of 1868, through a cycle of white influence begun in murder and betrayal and ending in political domination, the Oglala became increasingly less involved in civic affairs. Efforts at political organization were thwarted by reservation agents and superintendents afraid of Oglala political power. By the time of the 1936 constitution, mixed-blood and traditional groups among the Oglala were in opposition, and civic participation had significantly declined.

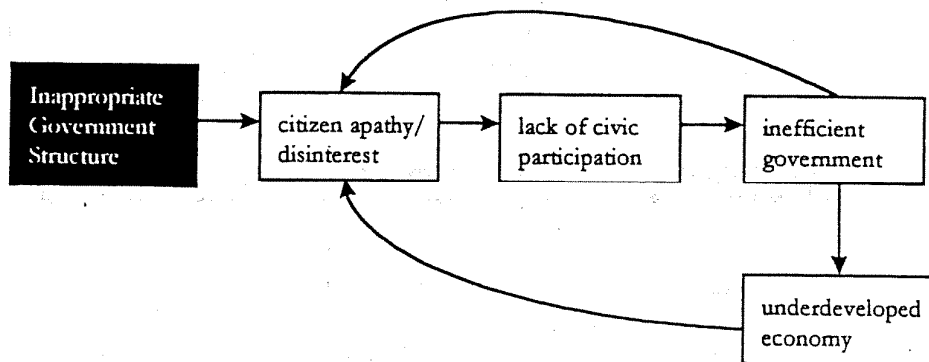
Traditional Lakota political structure has no parallel in the modern OST government.

The OST governmental structure was established in 1936 by a constitution based on an Indian Reorganization Act (IRA) model. The constitution was voted in by a relatively slim majority under conditions of incomplete information, with little discussion or input, and with poor voting turnout. It established voting districts based not on *tiyospaye* but on farm districts, and created a highly centralized government with authority over a number of formerly independent *tiyospaye*.

Meanwhile, the cultural norms which gave rise to the traditional political order persisted in the social organization of the Oglala. They continue to heavily influence Oglala society today, with little parallel in the structure of government.

Imposed government structure vs. traditional political order

If governmental structure is alien to the people, they will be much less likely to vote, run for office, apply for government jobs, or pay attention to the performance of representatives. These failures of civic participation can result in a government which is unrepresentative, inefficient, incompetent, and/or corrupt. Such government cannot play a role in economic development. This series of events results in a cycle of declining civic participation and underdevelopment:



Native American nations with governmental structures matched to their cultural political traditions are more economically developed than others.² The political traditions of the relatively successful Apache nations match the IRA-style constitution.³ Other nations have changed their constitutions. The prosperous Cochiti Pueblo of New Mexico have a government based on a hierarchical, church-based traditional political structure. The Lower Brule Sioux have a parliamentary government contributing to their development success. The Flathead Tribes of Montana are another example (see Appendix 1).

OST governmental structure has a centralized bureaucracy and a president elected at-large instead of chosen by council members. These features are probably culturally inappropriate. They should be changed through a process of consensus-building in order to attain the 2/3 vote and 30% voter turnout necessary for constitutional amendment (see p. 20, "6. Reform the government structure.")

How can governmental reform happen?

Governmental reform must come from OST officials themselves. Yet they may be the ones least likely to benefit from it. Like Mikhail Gorbachev of the former Soviet Union, and F.W. de Klerk of the Republic of South Africa, OST officials face heroic and daunting challenges in attempting to change the system. But change it must, or economic development will continue to be stifled by a system never suited for the Oglala people.

For interested readers, the following pages detail other structural changes which are needed for economic development. These changes are equally important.

Government effects on stability and accountability

Government structure has important effects on government stability and accountability. Government stability and accountability, in turn, affect the professional competence of the civil service and the perceived legitimacy of policy decisions. Professional competence and perceived government legitimacy have direct impacts on economic development.

CASE STUDY: BALANCING STABILITY AND ACCOUNTABILITY

OST Executive Officers and Council members are elected to two-year terms. This provides accountability: voters can elect a new member when unhappy with the performance of a current one. But it sacrifices stability:

- *New elected officials are unlikely to achieve competency during the course of their terms, and their effectiveness will be limited.*
- *The two-year term is not long enough for representatives to establish legitimacy to the voting public.*
- *Thus they are unlikely to be re-elected, and Council expertise suffers.*

In contrast, the Flathead Reservation in Montana, governed by a coalition of tribes, has a parliamentary system with four-year staggered terms.⁴ Voters are active at the ballot boxes, yet council expertise has time to develop. Accountability and stability are in balance here.

Stability and competency

Government structure affects its own stability. For example, if the way that Council members are elected is similar to the way that leaders are identified by Lakota people, political actors are more likely to be seen as legitimate. If so, they are more likely to be re-elected. When leaders are re-elected, expertise can develop and government may become more competent.

Without stability in government, businesses are hesitant to make significant investments. This causes a lack of the financial and physical capital needed to drive the economy. High turnover in government also means that governmental expertise cannot be developed. This makes it difficult for government to play an economic development role.

Accountability and legitimacy

Accountability is government responsiveness to the people's preferences. If the members of a government are elected in an at-large vote (as opposed to a vote by district), they may be less likely to take into account local-level concerns, and more likely to take into account the issues common to everyone. If the people in a particular district are concerned about local issues, they may perceive the government as illegitimate.

Without the confidence of voters, turnover is higher, affecting stability. And economic

development decisions are less likely to be good decisions when decision makers are not held accountable. This is because unaccountable representatives are less likely to consider the overall public welfare and more likely to seek gains for themselves or for their families.

Government protection of business interests

An important part of economic development is gaining the confidence of business owners, new entrepreneurs, citizens thinking about starting a business, and other potential investors. To do this the government must depend on an independent judiciary, a professional police force, and a professional licensing and permitting department.

Lack of enforcement by judicial and police systems

The OST government established a weak judicial system consisting of one chief and three associate judges who are appointed to four year terms by the Council, subject to Council recall. In the recent past the Council has effectively overturned judicial decisions by recalling judges and appointing new ones to make decisions which the Council can agree with. This sends a message to businesses and potential business investors that their interests may not be protected under the law, since the law depends on the Council's political interpretation.

Several small business owners noted that they are unable to get the tribal court to pass or enforce judgments on individuals who have written bad checks, vandalized properties, or stolen goods. Judges know their jobs depend on making politically correct decisions, and hesitate to issue sentence when relatives can complain to the Council.

The police department at Pine Ridge also fails to enforce laws meant to protect businesses. Business owners have spoken of police refusing to arrest lawbreakers or to cooperate with the re-acquisition of stolen or unpaid-for goods.

The judicial and police systems may be acting in the "best interest" of certain individuals by refusing to prosecute or enforce laws which would punish them. But this scares off potential investors, discourages existing business owners from expanding, and probably drives skilled business people away from the reservation to places where they can make a profit.

There is clearly a need for an independent judiciary free from political pressures. The police department has many problems, but it too needs more independence, focused on professionalization and the reform of its own structure.

A political, non-objective business licensing and permitting process

Getting a business license on Pine Ridge is a difficult process. It can be held up by a Council member who is trying to protect a relative or exercise his power. There is a need for a business license and permitting department staffed by civil servants who can make professional licensing and permitting decisions and cannot be fired by Council members without due cause. And there is no well-observed grievance procedure requiring due cause for dismissal and enforcing employees' duty to perform their jobs according to objective criteria.

RECOMMENDATIONS

Overview

In this section we introduce a three-part strategy for economic development focusing on strengths of the Oglala Nation and the people of the Pine Ridge Reservation. The strategy depends in large part on governmental reform, as outlined in the previous section.

We suggest a national economic development policy: a set of six long-term goals to meet the strategy. In the pages which follow, we provide a detailed description of recommended short-term action items to begin implementing policy goals.

A coherent strategy for economic development

The Oglala Sioux Tribe should aim for a three-pronged strategy which is *culturally appropriate* for the Lakota society, and *achievable* with the staff and resources available to OST government:

- I. Foster family/individual entrepreneurship.
- II. Support district-led community development.
- III. Build a better business climate.

I. Foster family/individual entrepreneurship.

Oglala society on the Pine Ridge Reservation today has a strong focus on the family as the primary unit of organization, even before the *tiospaye*. Because so many individuals are able to successfully draw upon their families and extended families to lend them support in their business dealings, it makes sense to play to this strength.

In the field of poverty alleviation in the U.S., there is a new focus on individual asset development to provide people with what they need to bring themselves out of poverty.⁵ The micro-enterprise approach practiced by the Lakota Fund is important in beginning to achieve this.⁶

II. Support district-led community development.

The districts are sources of political legitimacy. They are small enough to ensure the right amount of accountability and oversight.⁷ District expertise is not likely to be as great as that at the central government level, but district representatives know and understand the needs of the people, the strengths and weaknesses of the local labor market and business sector, and the potential market opportunities or niches available at the local level.

This part of the strategy takes into account another traditional Lakota characteristic: individual identification with the band-level (as opposed to tribal-level) political unit.⁸ (See **Appendix 2** for an international example of this strategy at work.)

III. Build a better business climate.

This is the broadest element of the strategy, as all of the policies we recommend in the next section work toward it. A better business climate is crucial to bringing in outside resources upon which the small economy of the reservation must increasingly depend, given the ever-diminishing flow of Federal funds onto the reservation.

The following page recommends a national economic development policy which OST should adopt in order to pursue this strategy.

A national economic development policy

This culturally appropriate, achievable economic development strategy—*fostering individual and family entrepreneurship, supporting district-led community development, and building a better business climate*—can be met through a focus on six national economic development policy goals:

1. **Build consensus through credibility.**
2. **Privatize OST business development and management.**
3. **Develop reservation infrastructure and public services.**
4. **Remove barriers to investment.**
5. **Become a source for information and technical assistance.**
6. **Reform the governmental structure.**

In the short term, the OST should begin to *build consensus through credibility* in order to begin the work on building a better business climate. To begin the shift away from the current focus on finding businesses to run, the OST should *privatize OST business development and management*. The OST should continue to *develop reservation infrastructure and public services* in order to both increase short-term employment in the face of welfare reform, and begin to provide entrepreneurs and investors with the bases of development they need in order to make running a business a viable possibility.

In the near future, the Executive Officers and the Council should begin to *remove barriers to investment* to make it easier for local entrepreneurs, owners of existing businesses, and potential investors to follow through on existing market opportunities. Also in the next eighteen months, the government should retool itself and begin to *become a clearinghouse for information and technical assistance* which will provide entrepreneurs and district governments with the start-up information and skills they need to increase their chances of success.

Possibly the most important and difficult goal is to *reform the governmental structure*, focusing on decentralization and constitutional change to end six decades of governmental mismatch.

By concentrating on the short-term action items listed on the facing page, the OST can begin to work towards these policy goals. Following each action item is an estimate of its time frame: now, in the next six months, or by the next election (in the next twelve months). Some of the recommended actions are modest initiatives, while others involve substantial programmatic reform. Many of the recommended actions work towards more than one policy goal, although they have been grouped by policy goal.

Long-term policy goals and short-term action items

1. Build consensus through credibility.

- ① Convene district-level meetings on economic development. (*Now*)
- ② Reallocate travel money towards on-reservation spending. (*Now*)
- ③ Allocate more resources to public information campaigns. (*6 mos.*)
- ④ Build better working relationships with district leaders. (*12 mos.*)

2. Privatize OST business development and management.

- ① Stop attempting to develop and manage businesses. (*Now*)
- ② Limit all plans to manage a motel/restaurant at Pine Ridge. (*Now*)
- ③ Allow independent management of the Prairie Wind Casino. (*Now*)
- ④ Create an independent Tribal Development Corporation. (*12 mos.*)

3. Develop reservation infrastructure and public services.

- ① Reallocate resources toward the development of physical infrastructure such as roads and utilities. (*6 mos.*)
- ② Reallocate resources towards the development of skill infrastructure like schools and worker training programs. (*12 mos.*)

4. Remove barriers to investment.

- ① Adopt a commercial code. (*6 mos.*)
- ② Streamline the permitting and licensing process. (*12 mos.*)
- ③ Allow longer-term land leases. (*12 mos.*)

5. Become a source of information and technical assistance.

- ① Write and produce business information materials. (*6 mos.*)
- ② Create technical assistance units. (*12 mos.*)

6. Reform the government structure.

- ① Decentralize selected government activities. (*6 mos.*)
- ② Allocate more resources to support district-level economic development efforts. (*6 mos.*)
- ③ Implement a training program on roles of elected/appointed officials vs. professional civil servants. (*12 mos.*)
- ④ Convene a constitutional convention. (*12 mos.*)
- ⑤ Take steps towards establishing an independent judiciary. (*12 mos.*)

1. Build consensus through credibility.

NOW

① CONVENE A SERIES OF DISTRICT-LEVEL ECONOMIC DEVELOPMENT MEETINGS TO DETERMINE COMMON GOALS AND NEEDS.

- *Create a feeling of inclusion and ownership.*
- *Use the ideas in this report as a starting point.*
- *Form specific meeting goals utilizing participant input.*
- *Invite important tribal members that aren't in government, and respected non-tribal members.*
- *Create plans of action after the series is complete and ensure actions can be carried out before next election.*

② REALLOCATE TRAVEL MONEY TOWARDS ON-RESERVATION SPENDING.

- *Hold meetings and other events in different towns on the reservation.*
- *Pay local entrepreneurs for catering and meeting hall services.*
- *Reallocate savings to district-level economic development activities.*

① The OST is the institution in the best position to bring together people from all walks of Oglala life. It should convene a series of economic policy meetings, inviting *any reservation resident who is interested*—including business owners and managers, District leaders, the director and staff from the Lakota Fund, the Lakota College, and trusted outside consultants.

The end product of this series should be an action plan with multiple roles and responsibilities *which there is some measure of consensus on*, keeping in mind the recommendations in this report.

The Lakota traditionally operate through consensus.⁹ This is hard to achieve with so many people, but it is the only way to make sure government has support.

Not only the citizens of the Pine Ridge Reservation, but also businesses, investors, staff at Federal and state agencies, are skeptical about the ability and motives of central tribal government.

Some criticisms are unfair, but they will continue until the current OST government, and governments to come, succeed in overcoming this distrust.

Government credibility is related to successful economic development:

- Business investments may become more likely.
- Citizens will be more likely to participate and government will better represent the public interest.
- The government will be more able to attract professional public servants, increasing the likelihood of successful development.

② Although some travel spending is warranted, it is a drain on tribal resources which benefits few and spends resources off-reservation. It is seen as a symbol of OST wastefulness. Catering services exist locally, and there are local meeting halls available. Instead of supporting the Howard Johnson in Rapid City, the OST should try to support its own economy. The money and time that it saves could be devoted towards other goals recommended in this report.

BY NOVEMBER

③ ALLOCATE MORE RESOURCES TO PUBLIC INFORMATION CAMPAIGNS

- *Reallocate funds and one or two staff for this purpose.*
- *Create a newsletter using a creative process which stimulates cross-district communication and participation.*
- *Explain major legislative initiatives, ongoing departmental projects, and changes in services to citizens, with more distribution of informational materials.*

BY THE ELECTION

④ BUILD BETTER WORKING RELATIONSHIPS WITH DISTRICT LEADERS

- *Delegate certain activities to the districts, (see Goal 6) and work with district leaders to assist them with this change.*
- *Support the current tourism planning structure with encouragement and assistance.*
- *Create more opportunities like the tourism committee for OST to work cooperatively with district leaders.*

③ Informational campaigns are often geared towards a one-way dialogue between the government and its citizens. But newsletters can include contributions from anyone, not just government officials, and act as a forum for discussion, debate and creative ideas.

The OST used to have a newsletter, and still has the expertise to produce one. A newsletter should focus on sharing news from district community functions with everyone, to stimulate the spread of creative ideas and assist with the process of supporting district-level community development. An editor and a couple of reporters (OST elected officials, preferably) could canvass the reservation for human interest stories and news which aren't reported on KILI, including items of Lakota cultural interest.

④ The opportunities for interaction between central tribal government Council members and district council members are limited.

By developing closer linkages between themselves and district leaders, central tribal government leaders can enhance their own images, but more importantly can be closer to local political interests which drive elections and are responsible now for so much Council and Executive Officer turnover.

2. Privatize business development and management.

NOW

① STOP ATTEMPTING TO DEVELOP AND MANAGE TRIBALLY-OWNED BUSINESSES

- *Separate politics from day-to-day business management on Pine Ridge.*
- *Focus on the development of private businesses.*
- *Use OST staff time and energy for more productive purposes.*

② LIMIT PLANS TO MANAGE A MOTEL/ RESTAURANT AT PINE RIDGE

- *In the absence of an independent body to manage this enterprise, the OST should stop these plans.*
- *Resources can be used more productively.*

③ ALLOW INDEPENDENT MANAGEMENT OF THE TRIBALLY-OWNED CASINO

- *A portion of the profits accruing to the casino (e.g., 50%) should be used for reinvestment in the casino to increase its earning power for the Nation.*
- *If left alone, the casino management system can be a model for other private businesses established on the reservation.*

③ The Council has traditionally micro-managed the casino, attempting to intervene in personnel decisions. The current management of the casino is business-savvy and attuned to Lakota workers and culture. The Nation has much gain from the long-term success of the Casino, but this will depend on the OST government ceasing its intervention.

It does not usually make sense for governments to take on business risk. Unlike business owners and managers, government officials don't depend on the success or failure of a tribally-owned business for their jobs, nor do they receive the profits of their labors.

① Past attempts at management of a tribally owned business have not succeeded. Political interests typically disrupted management of the enterprises.

Day-to-day business decision making requires independent managers whose incentives are based on the performance of the business.¹⁰ At Pine Ridge, no independent Tribal Development Corporation exists to create this. The Council will feel obligated (as it always has) to intervene in personnel decisions, profit re-investment, and other important business activities. Comparative research suggests that under such conditions, tribally owned businesses are a bad idea.¹¹

② By a number of important criteria, business projects such as a motel do not draw upon existing strengths on the reservation (see table on next page). Such projects should be privatized—run by private sector managers, subject to fair employment practices, zoning ordinances, and other legal restrictions.

④ Some tribes allow their businesses to be managed under independent Economic or Tribal Development Corporations. The Oneida and the Lower Brule Sioux tribes provide two successful examples of this, and it appears generally true that independent management entities increase the likelihood of business success.

The Council can begin the process by committing tribal resources and setting up a Corporation in form with partial funding before the next election. (Refer to **Appendix 3** for an account of how to set up a Tribal Development Corporation.)

BY THE ELECTION

④ CREATE AN INDEPENDENT TRIBAL DEVELOPMENT CORPORATION

- *Authorize the formation of an independent Business Development Council appointed by a committee of knowledgeable civil servants and individuals unconnected with government*
- *Commit tribal resources and set up the Corporation in form with partial funding before the next election.*
- *See Appendix 3 for more details.*

The OST can increase employment by engaging in other activities to facilitate business enterprise and by spending funds on infrastructure projects. OST should follow the appropriate role of government described in Books 1 and 2. Resources should be devoted to these needs and not to business activities. Such needs include roads, skills infrastructure (schools and the Lakota College), technical assistance to existing businesses, loans, and public programs such as tourism development.

DECIDING WHICH PROJECTS TO PURSUE						
CRITERIA	DEVELOPMENT PROJECT TYPE					
	motel hotel	factory	roads project	loan fund	tourism project	
government resources available?		x	x	✓	x	✓
foundation resources potentially available?		x	x	x	✓	✓
management expertise available in government?		x	x	✓	x	✓
management expertise available on reservation?		✓	x	✓	✓	✓
oversight possible (corruption unlikely)?		x	x	✓	x	✓
possible to implement with available resources?		✓	✓	✓	x	✓
demonstrates credibility to business environment?		-	-	✓	✓	-
demonstrates credibility to Federal environment?		x	x	✓	✓	✓
part of a long-term development strategy?		-	-	✓	✓	✓

3. Develop reservation infrastructure and public services.

OST should evaluate government activities with this question: "Are we creating tools and resources for business development with this activity?" If not, OST should probably use resources for something else.

For example, the tribe is considering running a funeral parlor. This may meet a market demand, but the tribe cannot run a company as efficiently as the private sector could. And, more importantly, the tribe is not "creating tools and resources for business development." Instead, it is using staff time, personnel skills, and funds towards an activity with small impact.

On the other hand, the tribe could use the same staff resources to improve sewer utilities and sidewalks. A well-developed infrastructure makes the development of many businesses (not just the funeral parlor) more viable.

Infrastructure projects should be based on a consensus, focusing particularly on finding out what businesses need and can't be expected to provide for themselves. And projects should be equally spread throughout the reservation to be fair.

BY THE ELECTION

② REALLOCATE RESOURCES TOWARDS SKILLS INFRASTRUCTURE DEVELOPMENT

- *Consult with the Lakota Fund, existing businesses, and outside resources.*
- *Consider partnerships with other agencies for childcare, job training, and school improvement.*
- *Find strategies to bring Lakota talent back to the reservation.*

BY NOVEMBER

① REALLOCATE RESOURCES TOWARDS PHYSICAL INFRASTRUCTURE DEVELOPMENT

- *Evaluate and prioritize infrastructure needs according to citizen and business demand: sewage, energy, roads, communications.*
- *Select important, realistic, and publicly visible projects for immediate investment.*

① Developing physical infrastructure directly improves the business climate by making a long-term investment on the reservation with positive impacts on residents and existing businesses. And it creates jobs, which will be important with the advent of "welfare reform."

However, there are dangers here. Worker training programs will be necessary to make any large-scale infrastructure project depending on local workers successful. The OST will have to rely heavily on external technical assistance to create a worker training program (see below).

② The importance of an educated workforce cannot be overstated. Lacking job experience, many Lakota are not prepared to fill new jobs provided by the private sector. This is a long-term investment that the OST must make.

According to the Lakota Fund, child care is a serious obstacle to employment, especially for women. Further areas to improve are schools of all levels and finally, job training.

Though Oglalas have acquired advanced degrees, many of them appear to have left the reservation. Any individual with social mobility will locate on the basis of convenience, comfort, quality of local services, quality of local schools, and so on. Thus, human capital is directly related to the provision of physical and skill infrastructure.

4. Remove obstacles to investment.

BY NOVEMBER

① ADOPT A COMMERCIAL CODE

- *Understand the purpose and long-term benefits of a commercial code.*
- *Pass one of the accepted model codes already designed for the Oglala Nation.*
- *Take steps to ensure the enforcement of the code.*

The perception and appearance of a good business climate are, in the long run, dependent on good business conditions. Businesses make decisions on where to locate and invest based on a number of criteria (see Book 2, "Findings"). The action items which follow attempt to give guidance to OST Council and Executive Officers in positively affecting these criteria so that businesses run both by outside and inside investors are more likely to decide to invest or expand on the Pine Ridge Reservation.

In the past, the OST has been very wary of external investors, due in part to the reservation's bad experiences with companies which benefited from tribal subsidies and then left when they dried up. These businesses left behind a feeling among reservation residents that they had been cheated of their resources and funds. These fears are justified, but not solved by current protectionist practices. Instead, the following recommended actions should satisfy both the tribe's need to protect its resources and its people, and the need for businesses to protect their interests.

① A commercial code sets parameters on the enforceability of contracts and the process of commercial transactions. Assuming it is backed by a reliable justice system, a code will provide the "rules of the game" for business. Several attempts at passing a comprehensive business code have failed. The current government is to be commended for attempting to gain a measure of consensus on the most recent attempt to pass business codes.

BY THE ELECTION

② STREAMLINE THE PERMITTING AND LICENSING PROCESS

- *Create a professional permitting and licensing department staffed by civil servants, which also provides information for businesses (see Goal 5, below).*
- *Adopt policies to eliminate unnecessary politicization or delay.*
- *Record the steps of the process for the convenience of prospective businesses and entrepreneurs.*

③ ALLOW LONGER-TERM LAND LEASES

- *Discuss a land use code to determine the reasonable environmental and cultural restrictions on the use of land.*
- *With a land use code for security, extend the time period for business land leases.*

③ With 5-year leases it is difficult or impossible to obtain a permanent loan on new construction, which is typically amortized over twenty to thirty years. This is a key component of creating an investment-friendly environment on the reservation, because without such financing, many enterprises are not affordable. Most external investors do not even begin to consider locating in a place with such short leases.

Culture, environmental protection, and protecting sovereignty create an important need to regulate the use of land. This is best done through land use regulation and reliable enforcement systems. Short-term leasing prevents all businesses, both good and bad keepers of land, from ever appearing on the reservation.

② Small business informants say that the business licensing process is politicized and extremely bureaucratic. On Indian Reservations and in cities throughout the United States, these kinds of barriers are being removed to enhance competitiveness with other regions.

The permitting and licensing process should be *codified by the Council and administered by an independent department* over which the Council has no direct jurisdiction. This will ensure that business decisions cannot be influenced by political pressures, but that important protections against business exploitation are provided.

The permitting and licensing department could also be a source of business information in attractive, easy-to-understand formats so as to encourage businesses to come to the government department and ask for assistance (see Goal 5). A business-helping strategy, rather than a business-blocking one, is the best role for such an office.

The Council, of course, must continue to be the skeptical protector of the public interest, but it should not play a role in micromanaging the bureaucratic procedure of permitting and licensing, once it has determined what that procedure should be. (Indeed, it is more properly the Executive Officers' responsibility to ensure that the procedures are followed.)

5. Become a source of information and technical assistance.

Government's role in providing information and technical assistance to businesses, particularly small businesses, has been recognized by governments the world over. The U.S. operates several departments devoted to small business, including the Small Business Administration, which provides technical assistance and information.

Encouraging new and ongoing small business activity through technical assistance, such as the assistance currently provided to loan recipients by the Lakota Fund, may be one of the most culturally appropriate and most successful economic development interventions.

District governments and independent community initiatives will need technical assistance with budgets, grant writing, and other areas in which central government staff have acquired expertise.

Business investors need up-to-date and accurate demographic and statistical information to inform their decision-making and accurately evaluate the potential for successful investment. The OST government should provide this information and begin to build relationships with such investors both to encourage informed investment and to find out what investors are looking for. This can provide input to help refine the goals of the economic development policy.

BY NOVEMBER

① WRITE AND PRODUCE BUSINESS INFORMATION MATERIALS

- *Collect business facts: demographic information, licensing procedures, tax laws, government resources, a list of existing businesses, and so on.*
- *Allocate resources towards producing accessible, professional publicity materials.*
- *Distribute materials through business organizations and upon request.*

① A role for central government in economic development is producing and distributing business information materials.

For example, the Tribal Employment Rights Office has worked to inform outside investors that there is not really an extra tax on contractors on Pine Ridge to fund its activities. In fact, Pine Ridge is exempt from the state tax on contractors and so the cumulative tax rate is actually the same.

This small piece of information can help create many opportunities for Lakota workers. Yet TERO currently makes the rest of its information for contractors available in the form of a text-dense document ½" thick. More attractive and accessible materials need to be created to make it easier for businesses to find what they want, and to send a message that business is desired on the reservation.

BY THE ELECTION

② CREATE TECHNICAL ASSISTANCE UNITS

- *Consult with the Lakota Fund, existing businesses, and outside resources.*
- *Consider creation of a technical assistance office to collect information, maintain relationships with business experts, and connect district governments and Lakota entrepreneurs with the right people.*
- *Develop "culturally appropriate management" materials and contract with tribal member consultants to provide such services to potential investors for a modest fee.*

② The existence of the OST government's economic development funds should be more widely publicized, and the funds should be made more accessible to district leaders. Technical assistance from central government staff is needed here to help make sure the funds are well-used by the districts.

The White Clay District has used some of the \$20,000 in economic development monies allocated to it to begin an Internet site to sell crafts more widely, and is starting a crafts cooperative. By spreading the news of White Clay's efforts so that other districts can learn from its experience, the central government can play an important role in facilitating economic development.

OST can also improve the business climate by providing information about the availability of subsidies for child care and training programs at TERO, to encourage moving from welfare to work.

Another important technical advancement is the use of culturally appropriate management techniques. Current management of the Prairie Wind Casino should have a number of important insights worth sharing with potential businesses, whether they come from on- or off-reservation.

6. Reform the governmental structure.

It is extremely difficult to figure out how to make a permanent change in the way government goes about its business. In the late eighties, for example, the length of the presidential and council terms was lengthened to four years, but the ordinance was revoked the next year. So a legislative change is not sufficient to ensure permanent structural change.

Permanent structural changes that turn out to be temporary can cause more harm than good. They communicate an unintended message to the residents, to businesses, and to potential investors: "We don't keep our promises."

So how can the OST Council and Executive Office of the President make some good promises which they are sure will stick?

Perhaps the reason why the four-year term limit did not last was that there was little real support for it in the larger political environment. This may have been precisely because the Council made a decision without consulting public opinion and was perceived as attempting to take more power.

One very important consideration is to ensure that there is a *mutual* process of education engaging government staff, ordinary citizens, and other interested parties who are part of the political process. Otherwise even constitutional change, which requires 2/3 voter approval, could be temporary. This goes back to the first policy goal: using consensus to build credibility.

The OST, then, will need to wisely choose those political reforms which make sense and can be thought of as a mutually

binding contract that all people in the Pine Ridge Reservation community will respect. One way to facilitate this is to try to make any new governmental structure in the self-interest of government actors and voters.

Decentralizing certain government activities may be an example of such a reform, because it may benefit all the people involved. Central tribal government officials are overburdened and need less work. Citizens ascribe greater amounts of legitimacy to district level officials. And district governments want greater autonomy.

Though decentralization seems attractive, the management of such a change could be accomplished very poorly. For example, the government of the United States has "block-granted" entitlement funds recently. Some states will have a very difficult time coping with the changes without the expertise to administer work programs.

OST should keep in mind the limitations of the districts, and provide technical assistance and oversight procedures as much as possible.

Finally, as described in the first section of this Book, constitutional amendment is probably needed. We revisit the theme of government structure's effect on economic development in recommending actions towards permanent reform on the pages which follow.

BY NOVEMBER

① DECENTRALIZE SELECTED GOVERNMENT ACTIVITIES

- *The Executive Office of the President should decide which of the activities it currently administers to delegate to the district governments.*
- *Get district government cooperation (remember that there must be something in it for them).*
- *Set a timetable for transfer of authority.*
- *Inform the public of any changes in who they should contact about certain public services.*

② ALLOCATE MORE RESOURCES TO SUPPORT DISTRICT-LEVEL ECONOMIC DEVELOPMENT EFFORTS

- *Acknowledge and encourage the success of the activities already ongoing.*
- *Allocate more money for District development.*
- *Make sure Districts are aware of the amounts and purpose of the funds.*
- *Do not interfere with District decisions...*
- *...But provide technical assistance regarding use of the funds.*

① Allocating more financial and staff resources to the districts is a worthwhile experiment to undertake before the next election. This decentralization could include activities ranging from propane distribution to economic development activities, such as those funded by the recent allocation authorized by the Economic Development Committee.

Decentralization is necessary in order to find staff time to meet the other goals and action items in this report.

② The Executive Office of the President could use staff who currently spent much of their time on these day-to-day activities to set up and staff a technical assistance department to help district council members with added tasks and responsibilities. In the long run, such an effort would free up staff time resources for other important tasks, although such a benefit might not immediately occur during a period of transition.

BEFORE THE ELECTION

③ IMPLEMENT A TRAINING PROGRAM ON ROLES OF ELECTED/APPOINTED OFFICIALS VS. PROFESSIONAL CIVIL SERVANTS.

- *Consult with trusted outside resources.*
- *Adopt Robert's Rules of Order or a similar structure for conducting OST business.*
- *Plan a curriculum and training schedule.*

④ CONVENE A CONSTITUTIONAL CONVENTION.

- *Consult with as many people as possible (including trusted people from outside the tribe).*
- *Consider agenda items such as: longer terms of office; staggered terms; legislative appointment of executive; changing judicial selection, etc.*
- *Plan to convene before April 1998.*

⑤ TAKE STEPS TOWARD ESTABLISHING AN INDEPENDENT JUDICIARY.

- *Consult with criminal justice experts about professionalism in the police force.*
- *Consider an intertribal appeals court where an Oglala judge cannot rule on Oglala cases.*
- *Depoliticize the judicial selection process by making it more difficult to remove judges from office.*

③ OST officers have had difficulty understanding the various tasks and responsibilities associated with the executive, judicial, and legislative roles. These roles were loosely defined by the constitution imposed decades ago. Pending constitutional reform, the short-term solution is to more fully understand and fulfill these roles. There is evidence that this kind of checks-and-balances structure is adequate for the Sioux; the government of the Lower Brule Sioux manages to fulfill these roles well and economic development is proceeding apace there.¹²

④ The Oglala Nation has the power to free itself from the system imposed upon it, but it will take hard work, including plenty of communication and consensus building. Meaningful constitutional reform is the kind of change that can transform nations—witness the dramatic change in certain Eastern European nations such as the Czech Republic.

While constitutional reform is a difficult task, it may have the most critical impact on improving future economic development.

⑤ A “hand-tying” modification of the governmental structure would make it impossible for elected officials to respond to requests by interfering with police and judicial decisions. This is the beginning of the journey down the long road to true judicial and police independence from political concerns.

If the Oglala Nation is to adopt a policy of supporting private business development, as we are recommending, an independent judiciary is indispensable for creating confidence in tribal and non-tribal investors. The OST Executive Director is already working on this issue.

ENDNOTES

1. DeMallie 1978, p. 261.
2. Cornell & Kalt 1995b, 1992a.
3. Cornell & Kalt 1992a, p. 19.
4. Cornell & Kalt, 1992a.
5. Sherraden 1992.
6. Sherman 1988.
7. Lakota College survey, 1994.
8. As we pointed out earlier, the districts do not approximate the geographical boundaries associated with the traditional bands or tiospayes, but they are the closest approximation available corresponding to this traditional size unit.
9. "...the Sioux emphasized consensus verging on unanimity as the primary decision rule for policymaking..." (Cornell & Kalt 1995a p. 420, in reference to Goodwin 1942.)
10. Book 2, "Real obstacles to economic development."
11. Cornell & Kalt 1992a.
12. Economic Development Administration 1996, p. 559.

APPENDIX 1

The following is excerpted from Stephen Cornell and Joseph Kalt, *Successful Economic Development and Heterogeneity of Government Form on American Indian Reservations*. (See Sources.)

Lessons from other nations: the Flathead Reservation

The Confederated Salish and the Kootenai Tribes of the Flathead Reservation in western Montana is among the most economically successful American Indian reservations in the current era of self-determination. In recent years, Flathead has seen substantial growth in the small business sector of services and retail sales related to agriculture and tourism. Individual tribal members and firms run by tribal members also participate in logging, construction, and farming.

This tribe's economic development policy is similar (though not identical) to the one we are recommending for the Oglala Nation.

A few differences

After generations of intermarriage and a history of "allotment," tribal members are a minority on the Flathead Reservation. The civic culture of Flathead appears to be relatively far removed from its pre-reservation roots when compared to most other reservations, including the Oglala Nation. But improved economic conditions have been accompanied by a resurgence of civic and religious traditionalism.

Many similarities

Like the Pine Ridge Reservation, Flathead has an adequate (but not spectacular) resource base. The population lives in primarily rural areas. The tribal government has owned and operated a number of enterprises in recent years, including an electronics assembly facility and a sawmill. These efforts, however, have consistently been unsuccessful. Until recent changes, the Flathead had a difficult time forming and implementing an economic development strategy. Many of the problems they faced were similar to those identified at Pine Ridge. The key for the Flathead was governmental reform.

	FLATHEAD	AEL TRIBES
Reservation Indian Population, 1990	7,667	437,800
Indian Unemployment, 1990	17%	45%
Change in Unemployment 1979-1990	Down 11%	Up 14%
Indian Per Capita Income, 1990	\$6,428	\$4,478
Change in Income 1977-1989	Up 16%	Down 1%
Indian Median Household Income, 1990	\$14,898	\$12,459
Indian Family Poverty Rate, 1990	32%	47%

The Flathead government guides its tribal development

The Flathead Reservation is made up of three tribes who were forced to live in the same area by the U.S. government. The Confederated Tribes amended its 1935 IRA constitution and are now organized under a sophisticated parliamentary democracy. In the late-1970s a major reform effort led by a group of tribal members brought reforms promoting separations and limitations of power.

Flathead government is run by a three-branch parliamentary system with an independent judiciary. The key governing and lawmaking body is the ten-member Tribal Council. Members are elected at-large and serve staggered four-year terms. In 1981, the tribe instituted primary elections to encourage majority coalescence around elected representatives.

The chief executive of the Flathead government is the tribal chairman who is selected in parliamentary fashion by the Tribal Council (rather than through direct election by the citizens). The Chairman serves two-year terms and acts as the spokesperson for the Council. A tribal executive director reports to the chairman and oversees eight divisions covering approximately 40 programs. This executive branch is subject to a civil service system that governs appointment, advancement, compensation, and dismissal among professionals within the Flathead government.

The Flathead government is known for its well-developed and independent judicial system. The Tribal Council does not appoint or remove tribal judges. To eliminate political tampering in judicial affairs, the Flathead participate in an intertribal "supreme" court. This is a cooperative effort of a number of Montana and Wyoming tribes who staff the court with judges. The court promotes fairness by providing that a judge may not sit on a case from his/her own tribe. Particularly in an economy founded in large part on private businesses, a stable and non-political court system that can fairly adjudicate and enforce contracts is critical.

Prior to 1984, the executive bureaucratic functions of the Tribe were organized under a committee system reporting directly to council members. A key change for the tribe was the creation of an executive director reporting to the tribal chairman which provided insulation from the key tribal politicians. The result of separation of power at Flathead is a notably professional and non-rent-seeking government. This has led to economic development.

The weak parliamentary chief executive, lacking the independent political power base of direct election and serving at the behest of the elected council is appropriate for Flathead, considering that three tribes occupy the reservation. The parliamentary system that disperses power across factions creates a government that is more legitimate to a society with divided identities. It is possible that a similar form of government would be appropriate for the Oglalas given the lack of hierarchy and strong centralized decision making in their traditional culture.

APPENDIX 2

Lessons from other nations: China

OST has plans to run businesses on a large scale. However, in traditional Lakota culture, the important units were the family and the *tiyospaye*. These traditions can be successfully incorporated into an economic development strategy. A good living example of this comes from China—the largest developing nation in the world. Success has come resulted from Chinese efforts to allow villages more leeway to develop their own enterprises. Of course, this model for a communist regime is not perfectly applicable to the Oglala Nation and its district governments, but the Chinese experience does illustrate the benefits which can be earned through government decentralization.

The following is an excerpt from a report written for the World Bank entitled *From Plan to Market: World Development Report 1996*, p. 51 (see Sources).

China's township and village enterprises

One important configuration of industrial enterprise in China is the township and village enterprise (TVE), owned by local governments and citizens. These mainly produce consumer goods for domestic and international markets. TVEs are generally of two types. The first, owned by the local government, acts like a holding company, reinvesting profits in existing or new ventures as well as in local infrastructure. The second, more recently developed type is much closer to private enterprise in that most are effectively controlled if not formally owned by an individual. Still, they too maintain close fiscal ties to the local government.

The growth and performance of TVEs have been extraordinary. Their share in gross domestic product rose from 13 percent in 1985 to 31 percent in 1994. Output has grown by about 25 percent a year since the mid-1980s; TVEs now account for a third of total industrial growth in China. The nonstate share of industrial output in China climbed from 22 percent in 1978 to a startling 66 percent in 1995. TVEs have created 95 million jobs in the past fifteen years. Capital-labor ratios in collective industry in China are only 25 percent of those in the state sector. Yet labor productivity (output per capita) is close to 80 percent of the level in state enterprises—and rising at more than 10 percent a year. Total factor productivity in TVEs is higher than in the state sector and is growing at 5 percent a year, more than twice the rate in state enterprises.

Some factors that explain this remarkable growth include:

- *Kinship and implicit property rights.* Strong kinship links among rural Chinese villagers encourage responsibility in entrepreneurs. Incentives facing TVEs are more like those in private firms in that the residual profits accrue to a limited group: a traditionally stable local community and, in particular, its government and TVE managers.

- *Decentralization plus financial discipline.* The 1984 decentralization of fiscal power in China allowed subnational governments to retain locally generated revenues, creating powerful incentives for the development of local industry. Under this system, a non-performing TVE becomes an unaffordable drain on a limited local budget. In the end persistent money-losers are closed and the work force is shifted to more profitable lines.
- *Competition.* Studies also show intense competition for investment (including foreign investment) among communities with TVEs. Success in attracting investment is affected by reputation and local economic performance.

Aspects of the TVE phenomenon are specific to China, but the experience holds important lessons for other transition economies: the importance of liberal entry, competition, hard budget constraints, and appropriate fiscal incentives for local governments.

APPENDIX 3

Establishing a tribal business development corporation

This lengthy appendix is copied in entirety. It is a chapter by Michael W. Cameron, entitled "A Prototypical Economic Development Corporation for American Indian Tribes." It appears in *What Can Tribes Do? Strategies and Institutions in American Indian Economic Development* by Stephen Cornell and Joseph Kalt (see Sources).

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The Harvard Project on American Indian Economic Development is directed by Stephen Cornell (Department of Sociology, University of California, San Diego) and Joseph P. Kalt (John F. Kennedy School of Government, Harvard University). For the last ten years, the Harvard Project has been carrying out an extended study of the conditions under which self-determined economic development can be successful on Indian reservations. The core research method has been the comparative analysis of development efforts on selected reservations: what works where, and why? A central objective of this research has been to develop information and insights that can be used by tribes themselves as they wrestle with the unique combination of opportunities and obstacles confronting them today.

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