

**AN ECONOMIC DEVELOPMENT POLICY**  
**FOR THE OGLALA NATION**

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## INTRODUCTION

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 earlier imposed the boundaries of the Pine Ridge Reservation upon the tribe. Determined to stake out their sovereignty, many Oglala have toiled to make this system work for their people. But the most important goals of any governmental system—prosperity, good health, education, and cultural preservation—have never been fully achieved at the Pine Ridge Reservation.

In this chapter we propose an economic development policy for the Oglala Sioux Tribe government (OST). First, we assess the state of economic development efforts on the reservation. We identify a number of myths about why the local economy has faltered, as well as a number of real obstacles to economic development. Second, we describe the mismatch between the imposed governmental structure of the Oglala Sioux Tribe government (OST) and traditional forms of organization. In the final section, we make a number of specific recommendations for OST action. These recommendations follow from a strategy that focuses on three areas: fostering family and individual entrepreneurship, supporting district-led community development, and building a better business climate.

This chapter is a modified version of a 1997 report to the Oglala Sioux Tribe government. In 1996 and 1997, we carried out fieldwork on the Pine Ridge Reservation, located in southwest South Dakota. Up to 30,000 individuals live there, depending on the time of year; the tribe has membership of about 18,000. During our visits we spoke to a number of tribal government officials, small business owners, and others involved in economic development, education, and institution building. Almost every person we interviewed was a member of the tribe. The sources list includes the names of individuals interviewed.

## **AN ASSESSMENT OF ECONOMIC DEVELOPMENT ON THE PINE RIDGE RESERVATION**

The Pine Ridge Reservation continues to experience a huge outflow of income and the drain of its most needed human resources. Total unemployment in 1989 was estimated at 71 percent, though it was probably higher (BIA 1989). Approximately 90 percent of reservation income comes from Federal sources, and about the same amount is spent off the reservation. Shannon County, contained within the reservation boundaries, was the poorest county in the US in the 1990 Census, with 63 percent of individuals below the poverty line. In 1994, the average per capita income in Shannon County was \$8,000, last in the state, according to the Bureau of Economic Analysis; and Federal transfer payments, including welfare payments, accounted for 43 percent of all income.

To some people, economic development 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. Many believe that economic development efforts should not interfere with maintaining and improving feelings of self-esteem and self-worth of tribal members, and using the land base in a culturally sensitive way. 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. These concerns must always be kept in mind when formulating an economic development plan.

Thus the definition of economic development used here is increasing long-term self-sufficiency—the ability for individuals and families to thrive by using their own resources, without over-relying on external sources of support.

## **ECONOMIC DEVELOPMENT OBJECTIVES**

A number of objectives might be considered in attempting to increase the long-term self-sufficiency of the tribe: 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, or focusing on adult workforce development to increase employability of reservation residents.

It would be difficult for the tribal government to do all of these things at once, so it might continue to pursue those strategies that seem likely to create the most jobs in the near term. It is readily apparent why this concern might be first and foremost from the perspective of Council members and Executive Officers, all of whom are elected to two-year terms. They are aware of the need for long-term economic development goals, but are faced with a political reality which requires them to look for immediate returns, in order to increase their slim chances of winning re-election. Turnover on the Pine Ridge Reservation is high for both Executive Officers and Council members. As of 1997, only one president had ever served two consecutive two-year terms, and roughly one-half to two-thirds of Central Tribal Council members were voted out of office every two years.

This tension has often led to a non-sustainable strategy, focusing on increasing employment and capital now, without 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 the recommendations section we identify immediate short-term actions in recognition of the OST officials' dilemma. But many people we spoke with on the reservation believe that long-term self-sufficiency is crucial, implying that there is political support for a more long-term perspective.

## THE GOVERNMENT'S ROLE 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. These include:

- 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—that typically won't be provided by the private sector and 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.

#### PLAYING TO LOCAL STRENGTHS

In addition to taking into account appropriate roles for government, the best economic development strategy 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, should also be taken into consideration.

#### **MYTHS ABOUT ECONOMIC DEVELOPMENT AT PINE RIDGE**

The citizens of the Oglala Nation are well-informed about past and present economic development efforts. After many conversations and other research, some common misconceptions about economic development became apparent. We relied on residents of Pine Ridge inside and outside government who, by virtue of their experience and interest, were in a good position to help explain past and current trends in economic development efforts by OST. In a later section, we identify four primary obstacles to a successful economic development effort, and describe these in some detail.

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 substantial proportion of residents and outsiders. It is not true, though it is believed by some, that there are no available markets on the Reservation; that the Oglala Nation lacks resources; that 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.

“MARKETS ARE TOO DISTANT, TOO SMALL, OR NON-EXISTENT”

Pine Ridge Reservation consists of a small population dispersed throughout 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 entrepreneurs, business owners, and managers we interviewed said that Pine Ridge could be an excellent place to do business. All were aware that tribal members did most of their shopping off-reservation, and that this lost business represented a huge amount of lost income for them. A 1988 report estimated that more than half of resident income left the reservation within 72 hours of arrival, and that \$74 million of reservation income yearly was spent off-reservation (Sherman 1988). 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 their proximity to the local market and their ability to provide more personal service to locals. This was 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—reported that they had a hard time keeping up with demand. Without the capacity to hire more staff or finance better equipment, they were forced to refuse business. There is a limit to the number of businesses that the domestic market can support on its own, but there is clearly room for growth.

There is also off-reservation demand for reservation resources. In 1997 the OST Tourism Department had 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. Similarly, in 1997 the Prairie Wind Casino attracted about two-thirds of its patronage from the state of Nebraska, providing more evidence that outsiders will enter and spend money on the reservation under the right circumstances. Finally, computer telecommunications and mail order business have 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 marketed their crafts on the Internet.

#### “THE LAKOTA ARE NOT PRODUCTIVE WORKERS”

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 US-style business environments can be productive.

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.

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

The Lakota Fund, a community-owned nonprofit organization, 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. The Fund also provides business classes, basic life skill

training, addiction treatment and personal counseling. Several of the loan recipients we interviewed volunteered the information that being held accountable was helpful to their future efforts.

Culturally appropriate management and corporate structure also improves the productivity of Lakota workers. 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 US 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.

As of 1997, the new management of the Prairie Wind Casino had put together a solid workforce of approximately eighty workers, in part by taking into consideration Lakota traditions. Understanding and respecting cultural practices plays a role in increasing productivity. As a Lakota himself, the manager understood the importance of the Sun Dance, powwows, and sweat lodge. Accordingly, time off was given to workers to participate in these ceremonies. The manager had also created an employee-staffed personnel committee which screened applicants for open jobs and managed the first step in the worker grievance procedure. This innovation avoided the reliance on hierarchy that 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.

#### "THE TRIBE LACKS ENOUGH RESOURCES FOR ECONOMIC DEVELOPMENT"

To many, the Pine Ridge Reservation seems relatively barren and devoid of natural resources. Over the years, as treaties were broken and the reservation was reduced in size, many

of the most precious resources of the Oglala, such as the Black Hills, were taken out of the hands of the Nation. Meanwhile, the Federal funding which was supposed to provide redress for these wrongs is steadily dwindling. These developments have led to the claim that economic development on Pine Ridge is an impossible task. But substantial physical, financial, intellectual, and spiritual resources exist within the Oglala Nation.

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. There are also 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 it 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.

There is a great fund of human capital on the reservation, including 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.

“WE CAN’T AGREE ON WHAT THE TRIBE SHOULD DO”

We met many very independent-minded people in our interviews on the Reservation. This is a character strength, but at times it may make people believe that no one agrees with each other. In fact, there is plenty of philosophical consensus among the Oglalas and some agreement on important economic development issues.

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 Bureau of Indian Affairs, and the Lakota Fund. 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.

- Economic development policies, whether US or tribal, have not worked and should be changed.
- There must be more long-term planning for economic development.
- While the US 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.

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. First, almost every

government official and non-governmental expert or business person agrees that government-run businesses have failed, are likely to continue to fail, and should no longer be pursued. Second, there is widespread agreement that longer terms of office are needed. As one might expect, many politicians made this claim, but many tribal members who are not associated with government agree that longer terms are necessary. Third, many interviewees strongly believe that a bank is needed on the reservation. Because of the lack of adequate banking facilities, many businesses carry large costs—acting as de-facto check cashing services and spending large amounts of time in transit to and from off-reservation banks. Many were surprised to hear that tribal council members and government agencies were trying to address this need.

Sometimes, one individual we spoke to said he disagreed with another individual, even though it seemed from our interviews that they had very similar ideas. The problem may be a lack of communication between members of different agencies, sectors, or factions. It should be the OST's role to be a consensus builder, but this will take time and patience, and will require other obstacles to be overcome first.

### **OBSTACLES TO ECONOMIC DEVELOPMENT AT PINE RIDGE**

We have established that the problem with economic development at Pine Ridge is not a lack of markets or resources, a cultural problem among the Lakota in being productive, or “too much disagreement.” What are the real problems stopping economic development? There are four major obstacles. First, the OST lacks a coherent economic development policy. Second, OST officials are pursuing a number of non-viable development strategies, in particular, government-run businesses. Third, the reservation has an extremely poor business climate. Finally, the tribal government lacks credibility among its constituents.

#### **LACK OF AN ECONOMIC DEVELOPMENT STRATEGY**

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. One reason OST has lacked a coherent economic development strategy is that so many people have been involved in making economic development decisions. Many people have had the opportunity to serve in the OST government in some capacity, and those not currently holding elective office may fill an appointed position or a civil service job until the next election. As a result, many elected officials and staff in OST have some experience with economic development, and many of them involve themselves in a process of speculating about and devoting energy towards landing the next “big fish.” 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 particular agriculture projects could be sustainable. Some or all of these tactics may be good ideas for the whole tribe, but because no single person has the resources to ensure success, valuable time and energy is wasted. Furthermore, because plans are not coordinated, OST often does redundant work, or worse, works on conflicting goals simultaneously.

OST has formally adopted substantively sound strategies in the past, but these have rarely been implemented. For example, a 1994 Economic Development Plan, written after an economic summit, was impressive for its completeness, with suggested timetables for implementation. Among the goals were the development of independent management of tribally owned businesses, fostering of entrepreneurial private development, and development of district and community infrastructure. Yet few are aware of the details of the plan and little has been done to implement it. Some interviewees stated the plans were written by a few people mainly to meet Federal requirements.

An economic development strategy should be durable over time. In most nations with free elections, economic plans are altered to some extent 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. Unfortunately, economic development plans at OST lack this element of continuity, as plans change drastically with each new administration.

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.

#### RELIANCE ON NON-VIABLE DEVELOPMENT APPROACHES

Key officials have responded to the overwhelming difficulty of the economic development challenge at Pine Ridge by following a “do everything” policy. Other officials tend to focus on specific tactics, such as attempting to attract businesses to locate on the reservation, or to own and manage tribal enterprises, but these tactics are also unlikely to produce long term economic growth for the tribe.

The “do everything” strategy consists of building a list of goals that would benefit the tribe and then pursuing all of them simultaneously, spreading staff and resources thin. At the time the field work was conducted, the six staff in the OST Economic Development Office were working on a plan for district cooperation in tourism development, finding financing for a tribally-owned motel and restaurant, planning an economic summit to involve coordination with numerous off-reservation government and private agencies, negotiating to bring a bank onto the reservation, attempting to develop a lumber partnership with the Oneida Nation, and writing a grant proposal for tourism funding, in addition to other tasks which individual staff members had taken upon themselves. In attempting to do all of these projects at once without direction as to which were priority items, not even a few could be expected to succeed. The do-everything strategy is also seen in the OST Council and the Executive Office of the President.

Another common tactic is the “bring in a business” strategy, in which one or more OST staff or agencies attempts to get an outside business to set up in the reservation with incentives, such as subsidies or access to attractive sources of capital available from Federal programs. But the businesses that are attracted are often poorly-run and would not survive without incentives. Sometimes a government commitment is made to these businesses and then subsidies must

increase to keep the business afloat, creating a financial burden on the tribe. When incentives can be promised only for a limited time, some firms see this as an opportunity to make a quick profit until the incentives are removed. A skilled workforce, good infrastructure, and access to markets are all more important to successful businesses than subsidies, unless subsidies can be maintained for a long period of time.

The third major strategy is the “run-a-business” strategy. The idea of finding a business for the OST to own and manage seems to be the most popular tactic among OST officials, because it seems to ensure more control, greater cultural sensitivity, and a closer match to local consumer demand and workforce strengths. However, 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.” 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 non-manufacturing businesses currently controlled by the tribe—Cedar Pass Lodge and the Prairie Wind Casino—have experienced some success, but their chances of future success are decreasing as the OST becomes more involved in management.

The failure of tribal businesses is not due to some lack of skill, desire, or good intentions of OST. Unlike privately-run businesses, which focus on maximizing profits, government has many goals such as equality of services, fairness of decisions, and addressing public opinion. The need for compromise to accommodate these interests can lead to business decisions that reduce economic efficiency. Also, the process of disagreement and deliberation that is often part of government can cause costly delays in decision making. Crucial business decisions that deal with customer service, personnel issues, or pricing must be made quickly. Finally, the government is often unable to sufficiently assess business risks. Unlike government officials, decision makers in firms risk their own money when they make business decisions, and they are likely to be more

careful about choosing profitable businesses, innovating when necessary, and running efficient operations to cut costs.

Some tribes across the nation have found relative success with running tribally owned enterprises. Notable are the Mashantucket Pequot (Foxwoods Casino) and the White Mountain Apache (ski resort and mining). The Oneida Nation has experienced enough success with various tribally owned enterprises that the OST has sought Oneida's assistance in establishing new businesses. But the few 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 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 (Walker 1982).

#### AN UNWELCOMING BUSINESS CLIMATE

Business climate is a general term used to denote the factors that affect the feasibility and profitability of businesses in a particular location. We have focused on factors in five major categories: legal structure, physical infrastructure, financial infrastructure, government decision making, and government attitude/assistance. In all of these areas, Pine Ridge lacks basic requirements for businesses.

**Legal structure.** Laws that enforce contracts, define criminal activity, and set commercial guidelines are fundamental to business survival, making it possible for businesses to assess risk and conduct transactions safely. Where these laws are effective, it is because of fair and objective third-party enforcement, generally by a police force and independent judiciary. At Pine Ridge in 1997, with no building, business, or other commercial codes, there were no clear rules of business. But even instituting codes does not ensure 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.

**Physical infrastructure.** Publicly-provided physical infrastructure is a requirement 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, but residents and businesses alike benefit when governments use common funds to do so. At Pine Ridge, it is clear that inadequacy of road and sewer infrastructure has had direct impacts on businesses. Due in part to bad roads, convenience store owners stated that only one wholesaler was willing to deliver goods to them, at a high markup.

**Financial infrastructure.** 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. Unfortunately, land leases on the Reservation are typically for only five or ten years. Start-up capital for new business creation is scarce at 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 due to a family loss into a convenience store operation. The Lakota Fund, a non-governmental non-profit organization, provides small loans for businesses, but it is only one source. The nearest banks are off-reservation, and many are wary of making loans to Pine Ridge residents.

**Government decision making.** Clear and consistent government rules and procedures ease the burden of complying with necessary regulations, as does having a single, consistent contact to deal with businesses. Freedom from political interference makes running a business more viable. During our field visits, we observed various Council members and Economic Development Office staff dealing independently with different financial institutions, and numerous politicians and officials making contacts with businesses such as large retailers, artists, and ranchers. But those seeking to start businesses in Pine Ridge often discover that the person

they were dealing with is only one player in a web of political gamesmanship and rules enforced at whim. At any time during the process of permitting a business, officials may delay the process.

**Government 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, such as catering, accountancy, legal, and cleaning services. At Pine Ridge, government suspicion of investors is based in historic fact. But it discourages the establishment of services on the reservation. For example, local stores are forced to provide credit and check cashing services in order to retain their customers, because no bank is available at the reservation. Lack of insurance, communication, and transportation services has driven many craft businesses off the reservation.

#### LACK OF OST GOVERNMENT CREDIBILITY

Most residents and eligible voters pay little attention to the actions of the central government. A 1994 survey by the Oglala Lakota College confirmed that most people saw their district government heads as their primary leaders. Culture may provide part of the explanation. Given the traditional Lakota focus on the *tiyospaye*, it is not surprising that district government appears more relevant to the average individual.

In our interviews, business people on the reservation were aware of and concerned with the central government, but they characterized their main challenge as learning how to do business without relying on the tribal government; that is, to find ways to succeed despite government demands and obstacles. They believed that government officials and staff either neglected their roles and duties or were inefficient in carrying them out.

Many people we interviewed believed that government workers travel too much, attending too many off-reservation conferences. Some local businesspeople resent the fact that government workers would rather use off-reservation restaurants and services.

Although OST officials and staff seemed to be aware of these larger issues, and had some well-developed ideas about the need for new laws and public services, there appeared to be a

disconnection between OST actions and the daily lives of the 30,000 residents at Pine Ridge. Part of this is OST's failure to communicate its intentions and reasons for action. There are some exceptions. For example, concerted effort was made to educate the public on a project to improve the water works. But in general, there appears to be a government culture of addressing micro-level needs of particular constituents and not working towards the longer-term common purposes of government. Many tribal government representatives and staff stated that most of their work time was spent serving individual constituents. For example, many people, including the tribal president, intervened on the behalf of individuals regarding such issues as propane service or government checks. This patronage-based conception of public service is part of the government's image problem. Being out of touch with a larger pool of constituents leads to actions that further alienate the government and destroy political support.

## **GOVERNMENT AND LAKOTA CULTURE IN ECONOMIC DEVELOPMENT**

Crafting an economic development policy cannot begin without acknowledging the fact that traditional Lakota culture and the government structure imposed in 1936 are at odds with each other. This mismatch has deleterious effects on government stability and accountability and 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**

Traditional Lakota culture was highly decentralized and individualistic (DeMallie 1978). *Tiyospaye* (bands) 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 councilors 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, the Oglala became increasingly demoralized, dominated by foreign influences and 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 to each other, and civic participation had significantly declined.

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. These continue to heavily influence Oglala society today, with little parallel in the structure of government. 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 (Cornell and Kalt 1995b, 1992a). The political traditions of the relatively successful Apache nations match the IRA-style constitution. 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 and the Flathead Tribes of Montana have parliamentary governments that contribute to their development success. In contrast, the OST governmental structure has a centralized bureaucracy and a president elected at-large instead of chosen by council members. These features are among many that are probably culturally inappropriate and suggest the need for governmental reform.

### **THE IMPORTANCE OF OST GOVERNMENTAL REFORM**

Government structure has important effects on government stability, accountability, and its capacity to protect business interests. 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.

#### **STABILITY AND ACCOUNTABILITY**

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 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.

Stability and accountability must be balanced for government to run effectively. At Pine Ridge, 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 in the eyes of 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 (Cornell and Kalt 1992a). Voters are active at the ballot boxes, yet council expertise has time to develop. Accountability and stability are in balance.

#### 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.

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.

Another area where government is performing to the detriment of business development is in the licensure process. Getting a business license 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. Finally, there is no well-observed grievance procedure requiring due cause for dismissal and enforcing employees' duty to perform their jobs according to objective criteria.

## **RECOMMENDED ECONOMIC DEVELOPMENT POLICIES**

In this section we propose 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. Based on this, we suggest a national economic development policy, consisting of a set of six long-term goals to meet the strategy, along with specific action items.

### **POLICY STRATEGY**

We propose a three-part strategy which is culturally appropriate and achievable with available staff and resources. The OST government should foster family/individual entrepreneurship; support district-led community development; and build a better business climate.

#### **FOSTER ENTREPRENEURSHIP BY FAMILIES AND INDIVIDUALS**

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. Poverty alleviation efforts in the US have benefited from a new focus on developing individual and family assets to increase long term self-sufficiency (Sherraden 1992). The micro-enterprise approach practiced by the Lakota Fund is important in beginning to achieve this (Sherman 1988).

#### 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. 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.

#### BUILD A BETTER BUSINESS CLIMATE

This is the broadest element of the strategy; 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.

### **POLICY GOALS**

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* to increase short-term employment and 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, 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.

#### 1. BUILD CONSENSUS THROUGH CREDIBILITY

The Lakota traditionally make policy decisions using a decision rule described as “consensus verging on unanimity” (Cornell and Kalt 1995a: 420). This is hard to achieve with so many people, but it is a good way to ensure government support. Not only the citizens of the Pine Ridge Reservation, but also businesses, investors, and 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. As credibility increases, business investments may become more likely, citizens will be more likely to participate and government will be more able to attract professional public servants, increasing the likelihood of successful development.

**Convene economic development meetings.** 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 district-level 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 objectives of these meetings

should be to create a feeling of inclusion and ownership and to determine common economic goals. Key to the success of these meetings is the participation of important tribal members that aren't in government, and respected non-tribal members. The end product of this series should be an action plan with multiple roles and responsibilities which there is some measure of consensus on.

**Reallocate travel money towards on-reservation spending.** 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. OST credibility would also be much improved by holding meetings and other events in different towns throughout the reservation. The money and time saved could be devoted towards other goals such as district-level economic development activities.

**Provide more public information.** 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 the tribal radio station, including items of Lakota cultural interest.

**Build better relationships with district leaders.** 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 the local political

interests which and are apparently responsible for so much Council and Executive Officer turnover.

## 2. PRIVATIZE BUSINESS DEVELOPMENT AND MANAGEMENT

The OST can increase employment by engaging in other activities to facilitate business enterprise and by spending funds on infrastructure projects. OST 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.

**Stop attempting to develop and manage businesses.** Past attempts at management of a tribally owned business have not succeeded. Political interests typically disrupted management of the enterprises. This is not surprising, since day-to-day business decision-making requires independent managers whose incentives are based on the performance of the business. 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 (Cornell & Kalt 1992a: 27).

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

**Create an independent tribal development corporation.** 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, and it appears generally true that independent management entities increase the likelihood of business success.

Therefore, for any continuing tribal management of business, the Council should begin committing resources to the formation of such a corporation (see Cameron 1992).

### 3. DEVELOP RESERVATION INFRASTRUCTURE AND PUBLIC SERVICES

OST should evaluate economic development activities with the 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 was 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. More importantly, the tribe is not creating tools and resources for business development by running a funeral parlor. Instead, it would be 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 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. Projects should be equally spread throughout the reservation to be fair.

**Develop physical infrastructure.** 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. It also creates jobs on the reservation. 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).

**Develop skill infrastructure.** The importance of an educated workforce cannot be overstated. Lacking job experience, many Oglalas 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, childcare 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 have left the reservation. Any individual with social mobility will locate

on the basis of convenience, comfort, quality of local services and local schools, and the like. Therefore human capital is directly related to the provision of physical and skill infrastructure.

#### 4. REMOVE OBSTACLES TO INVESTMENT

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. 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.

**Adopt a commercial code.** 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.

**Streamline permitting and licensing.** 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. 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 micromanage 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.

**Allow longer-term land leases.** With five-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.

##### 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 US 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.

**Produce and distribute business information materials.** The Tribal Employment Rights Office has worked to inform outside investors that there is not really an extra tax on contractors at Pine Ridge to fund its activities. 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. But as of 1997, the Tribal Employment Rights Office made most of its information for contractors available in the form of a document one half-inch 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.

**Create technical assistance units.** 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. Another important technical advancement is the use of culturally appropriate management techniques. For example, management of the Prairie Wind Casino had a number of 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.”

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, when the US government “block-granted” entitlement funds, some states had 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.

**Decentralize some government activities.** Allocating more financial and staff resources to the districts is a worthwhile experiment. This decentralization could include activities ranging from propane distribution to some recent economic development activities funded 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.

**Provide training on roles within government.** 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 (EDA 1996: 559).

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

**Create an independent judiciary.** A “hand-tying” modification of the governmental structure could make it impossible for elected officials to interfere 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, an independent judiciary is indispensable for creating confidence in tribal and non-tribal investors.

## CONCLUSIONS

The ultimate goal of a good economic development policy is not merely greater wealth for certain individuals at the expense of others. Economic development can lead to economic self-sufficiency and a stronger sovereignty for nations. But for a variety of reasons, including

corruption, discrimination, and the legacy of institutional/cultural mismatch, many nations continue to struggle.

The Oglala Nation is not alone. Throughout the world, other nations have cast off the vestiges of colonialism and started to achieve 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. Tribal nations in North America have used new ideas and sovereign powers to leverage their way toward sustained growth. 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 policy strategies and goals proposed here are in that spirit.

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