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Colonization of Indian Economy

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Americans for Indian Opportunity (AIO)

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COLONIZATION
OF
INDIAN ECONOMY

Presented

by

LaDonna Harris
President
Americans for Indian Opportunity

June 26, 1979

Almost 500 years ago, when the first colonies came to America the Native Americans were entirely self-sufficient with diversified economies. By the mid-1800's surviving Indian tribes were more than 80 per cent dependent on the Federal Government. Currently, reservation based Native Americans are 90 per cent dependent on the Federal Government.

What has happened over the last 500 years has been an economic shift from one extreme, that of economic sufficiency of traditional diversified economic systems to the extreme of economic dependency with a false economic base. The destruction of the traditional economy has left Indian tribes with no systems to capture the dollars that come onto the reservation. It has also weakened tribal power and tribal government by becoming financially dependent on the federal government. Tribal governments will never break the chain of dependency until the federal government see the tribes as a whole. A wholistic approach requires the government to spend its funds in a coordinated integrated fashion rather than a fragmented program by program approach.

Federal programs have created an illusion of economic activity. In reality federal programs are flushed through the reservation economy. Only 60 per cent of the money appropriated for federal programs actually reaches the reservation and this money goes through Indian pockets once. (paying for salaries, services, etc.). The remaining 40 per cent never reaches the reservation going instead to off reservation providers of goods and services. (figure 1).

One of the methods of expanding the income of reservation residents is to develop Indian contractors and service providers who can capture these dollars coming onto the reservation. Most contractors are located in off-reservation communities. These cities and their residents are the primary beneficiaries of this spending rather than reservation areas, although the governmental services are to benefit the reservation.

The total spending by Indian people initiates a wave of re-spending outside the communities where the dollars initially go. This multiplier effect works as follows. A dollar spent on food for instance, becomes income to the grocer. The grocer receiving the dollar then in turn, spends it on goods and salaries and other items for his business. The wholesaler and wage earners then spend the dollars they receive from the grocer, creating additional income in the area. Because of this multiplier effect, the dollar initially spent in a community will ultimately create more than a dollar's total income in that community. However, on the reser-

FEDERAL DOLLARS AND WHERE THEY GO

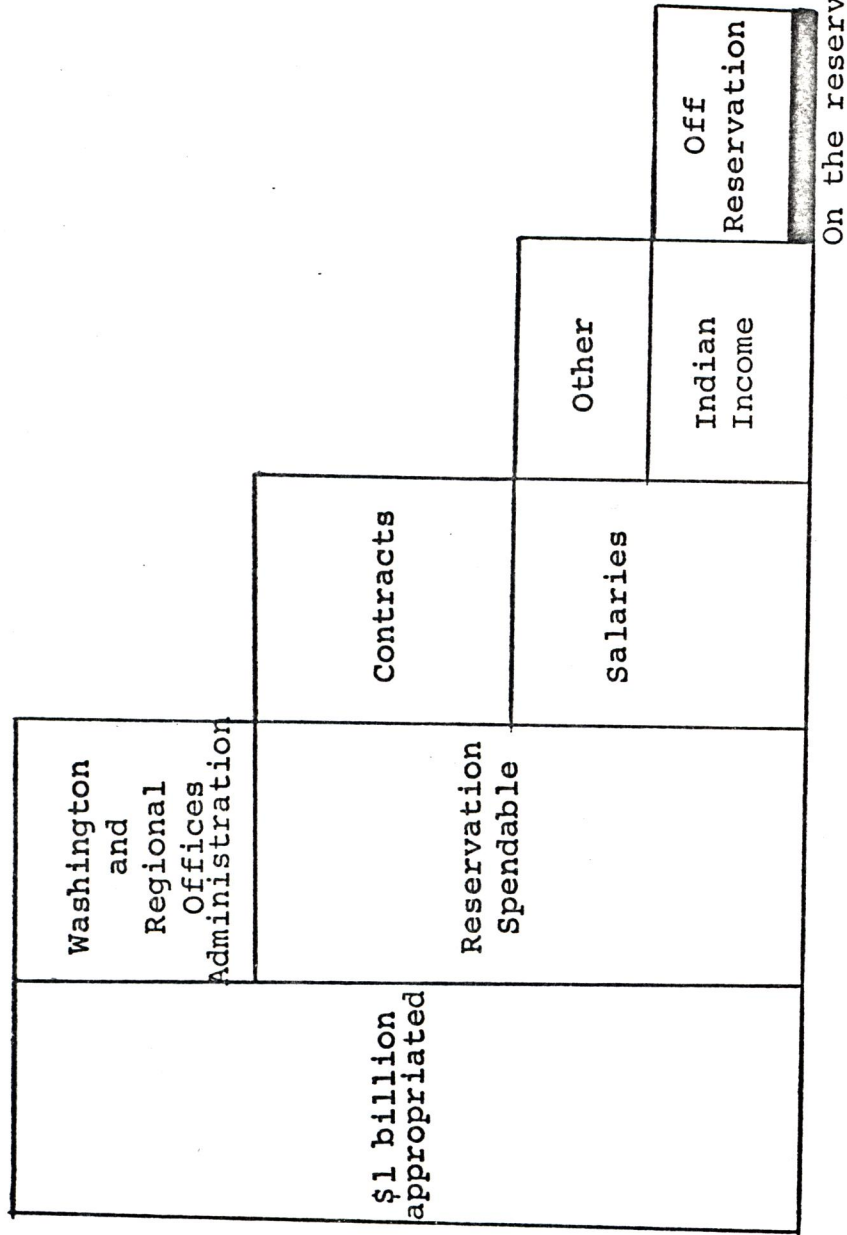


Figure 1 - Of the possibly 700 million which comes to the reservations and much of which could in theory, be spent there, in consumer goods and in contracts, less than 5% is actually spent in reservation stores and reservation based businesses

vation the dollar turns over just once then goes off the reservation. Theoretically, a dollar should turn over at least seven times within that community where there is a business infrastructure. Unfortunately, at least 90 per cent of the initial dollars directed at the reservation is not available for respending. On most reservations only 5 per cent is available for respending. This indicates that with the lack of reservation businesses Indian people will have to spend their income off the reservation, usually the nearest bordertown. This lack of a multiplier effect on an individual level seriously undercuts the reservation economy. (Figure 2).

A second problem is the development of natural resources. Rather than encouraging tribes to develop their natural resources the federal agencies have been resistant to such tribal efforts to develop. Despite the fact that such development would create additional revenues to help stabilize the economy and break the ties of dependency.

A great many Native Americans, individually and through their organized tribes, own valuable natural resources--land, water, fisheries, timber, and minerals. The problem is that, to date, development of these resources has remained under the control of non-Indians and under B.I.A. management. This control as exercised by the non-Indian developers, has emphasized corporate profit at the expense of the economic advantage of the tribes and the cultural impact of development on Indian people.

In the past, many tribes had no clear understanding that it was within their power, as owners, to assume control of the development of their own resources. The Department of Interior, as their trustee, assumed this control and, thereby, also deprived the tribes of the chance to acquire the experience and skills the tribes needed. Today, through their own initiatives, in organizations such as the Council for Energy Resource Tribes, Indian tribes have begun to acquire the skills and experience necessary to develop their own resources in ways which to them seem most economically, environmentally, and culturally sound.

However, the national crisis caused by the present shortages of essential resources threatens to make this situation worse for the tribes. On many Indian reservations where resources are presently being developed, the tribe receives only a lease payment, and this is usually far below market value. They do not share in profits. Indian coal provides us with extreme examples of low returns to Indians for their resources and of high value

PRESENT INCOME FLOWS

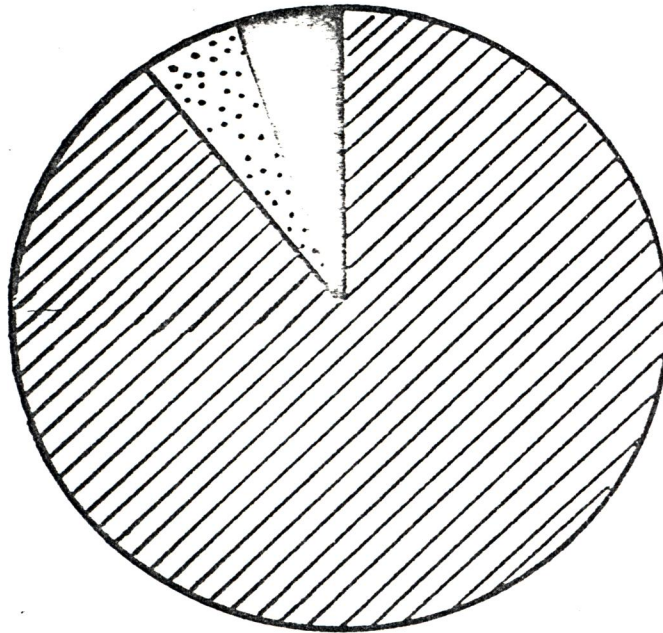
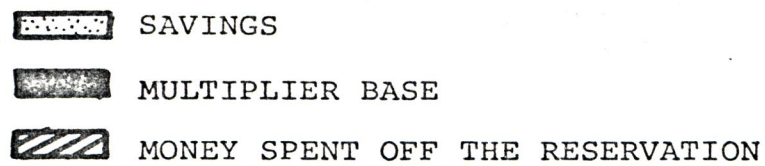


Figure 2



TOTAL INCOME	100%
Savings	5%
Spent on the reservation	5%
Spent off the reservation	90%

added in processing off the reservation. A ton of coal is sold by the Indians to a huge mining company for 15¢ a ton. The coal is mined and sold by the mining company to a mine-mouth power plant for \$6 a ton. The power plant converts the coal to electricity, which is transported to distant cities and sold for the equivalent of \$150 to \$200 a ton. In Figure 4, illustrating the value of a ton of coal as it is transformed to energy, the Indian share of money from the coal is so thin it can not be discerned. In the past, this has been the result of the tribes' lack of the information and expertise necessary to deal with non-Indian developers on an equal basis. Tribal control of the resource development based on such knowledge and expertise is essential if we are to break out of the dependency cycle. (See Figure 3 and 4).

In addition to mineral development, there is a significant problem in forestry. Indian forests are the largest private holding of developed timber land in the country. For 57 Indian reservations this forestry resource is of major importance, contributing 25 to 100 per cent of their total annual revenues from the sale of raw resources alone. Eleven reservations derive 80 per cent of their tribal income from the sale of their raw resource. Total tribal revenues in 1974, amounted to 73 million dollars, again from stumpage alone.

Tribes are not participating maximally in wood processing operations. Several tribes are operating sawmills and a few are involved in wood products industries but still 80 per cent of the Indian timber harvested is purchased by non-Indians. Further, it is processed in processing plants owned by non-Indians. Additionally non-Indians make up the majority of workers in the stable jobs created by the management of Indian forests. In wages earned from primary wood using industry alone, the total benefit to non-Indians from Indian timber estimated at 20 million dollars a year. Astoundingly this is almost three times the amount of wages earned by Indians from their own timber. We can safely say that most of the income tribes derive is from stumpage and stumpage makes the least amount of money in the timber industry.

Overall, the price companies pay for their raw materials is minimal compared to the final dollar they get out of a finished product. This relationship is similar to that of a colony. To continue the analogy, Indian tribes own the resource that the "Mother" country wants for the benefit of its economy. Although the colony gets a fixed price for their raw material they do not share to any great degree in the final profits from their resources. However, they bear the full extent of the high risks associated with management. (Statistics were taken from AIO paper, A Violation of Trust: Mismanagement of Indian Forest Lands.)

In contrast, where tribes have had the experience and opportunity to control the development of their natural resources despite federal interference, they have been very successful. The Ak-Chin Maricopa of Arizona, for example, has one of the most

Figure 3 - Value received by Indians for their coal and value added by mining and processing the coal - by non-Indians

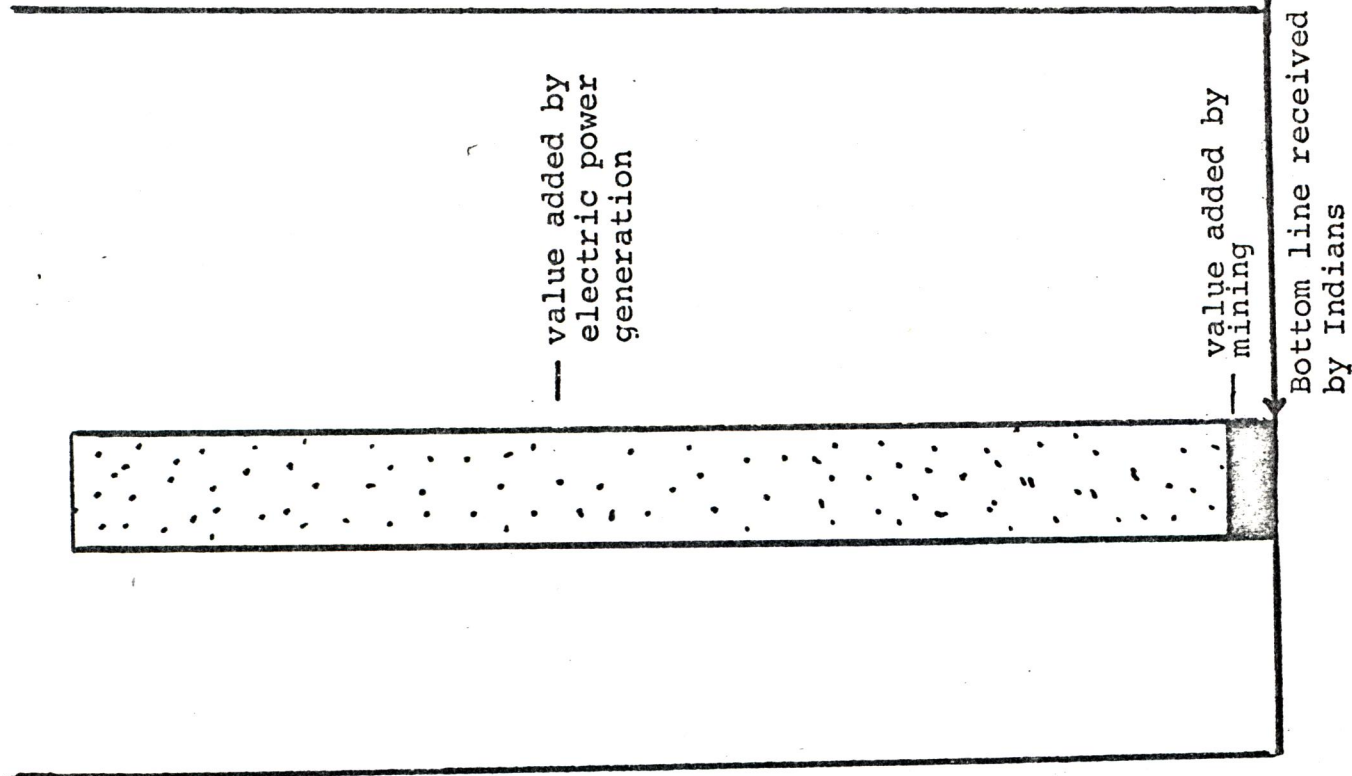
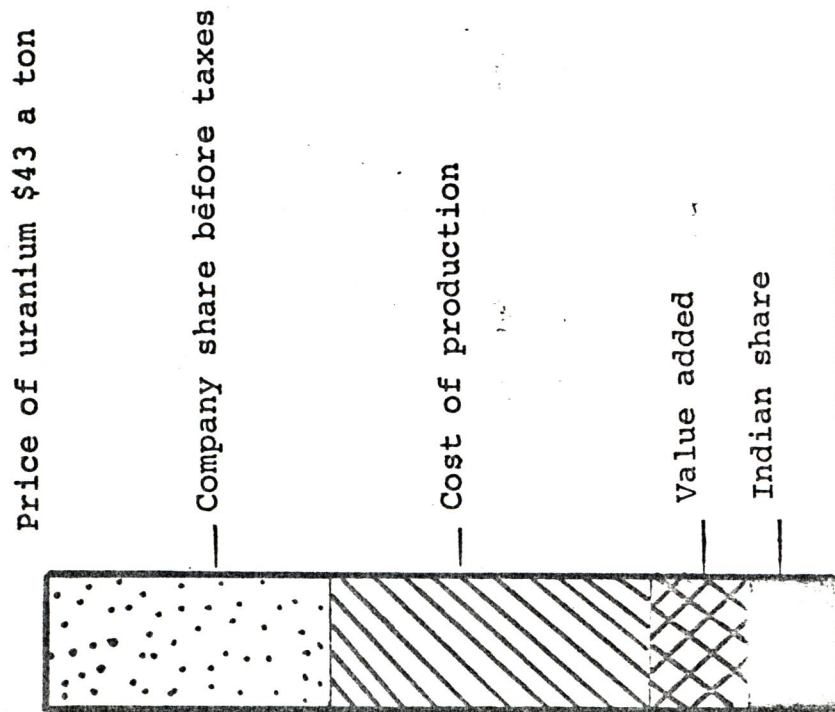


Figure 4



The typical Indian share of the value of uranium mined from their land is shown in Figure 4. As in all energy resource production the Indians receive pitifully meager portion of their resource wealth.

successful tribal farming operations in the United States. Each year it returns a profit to the tribe that is used to provide benefits to the tribal community. In 1975, the tribal farm grossed nearly two million dollars. Last year, the farm netted a profit of nearly six hundred thousand dollars on only five thousand and five acres of cultivated land.

Another successful Indian controlled development is the Lummi Nation's aquaculture development. These two examples have become models of successful resource development programs in the country. Unfortunately, these kinds of examples are few and far between because there are few Indian controlled resource developments. They are however, examples of what Indian people have been able to achieve when they have had the opportunity to take control in the development of their resources.

The improper exercise of federal power through regulations has erected barriers between Indians and their economic success. Present barriers to economic self-sufficiency prevent the creation of a favorable economic environment and diminish the amount of capital and management available. Failure by the Federal Government to properly fulfill its trust responsibility has retarded reservation development. Because of the inter-dependence of control, capital and management, it is clear that development will continue to be blocked or interfered with if all these conditions are not simultaneously met.

This is where federal efforts have failed to develop and produce the necessary reservation businesses to sustain the tribal economy. Thus, federal funds should be applied comprehensively for implementation of tribal plans rather than fragmented projects. Such plans would enable tribes to program development to be consistent with their ability to effectively use federal and private capital. Such comprehensive plans would enable tribes to realize the full benefits of each project and in turn each project would make every other project more feasible.

Finally, in analyzing the experiences of emerging foreign nations, we have found that the most sophisticated of these countries have located and hired the best talent available from the world of commerce to train their key personnel in specific areas of resource development. Of critical importance is the fact that these countries have gained control over the selection of talent and expertise which they have employed to further their own interests. As Indian people, we feel it imperative that we be able to employ the advisors of our choice. The goal of this approach is to create for the Native Americans the means for the efficient development of their human resources and the development of viable reservation economies, which will afford Indian people the maximum opportunity for choice of both their style and standard of living, and which will move them toward self-sufficiency as individuals and as tribes.