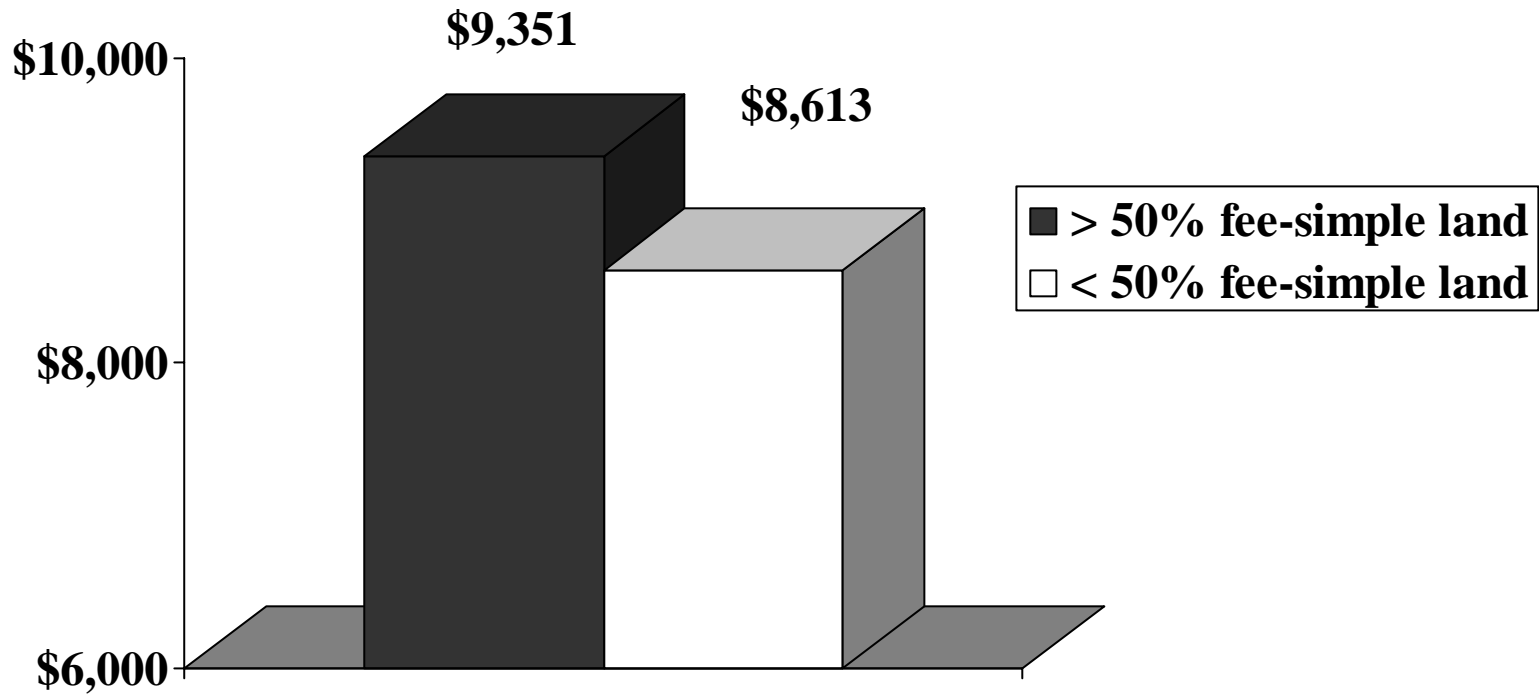


The Wealth of Indian Nations:
Economic Performance and Institutions on Reservations

Terry L. Anderson and Dominic P. Parker

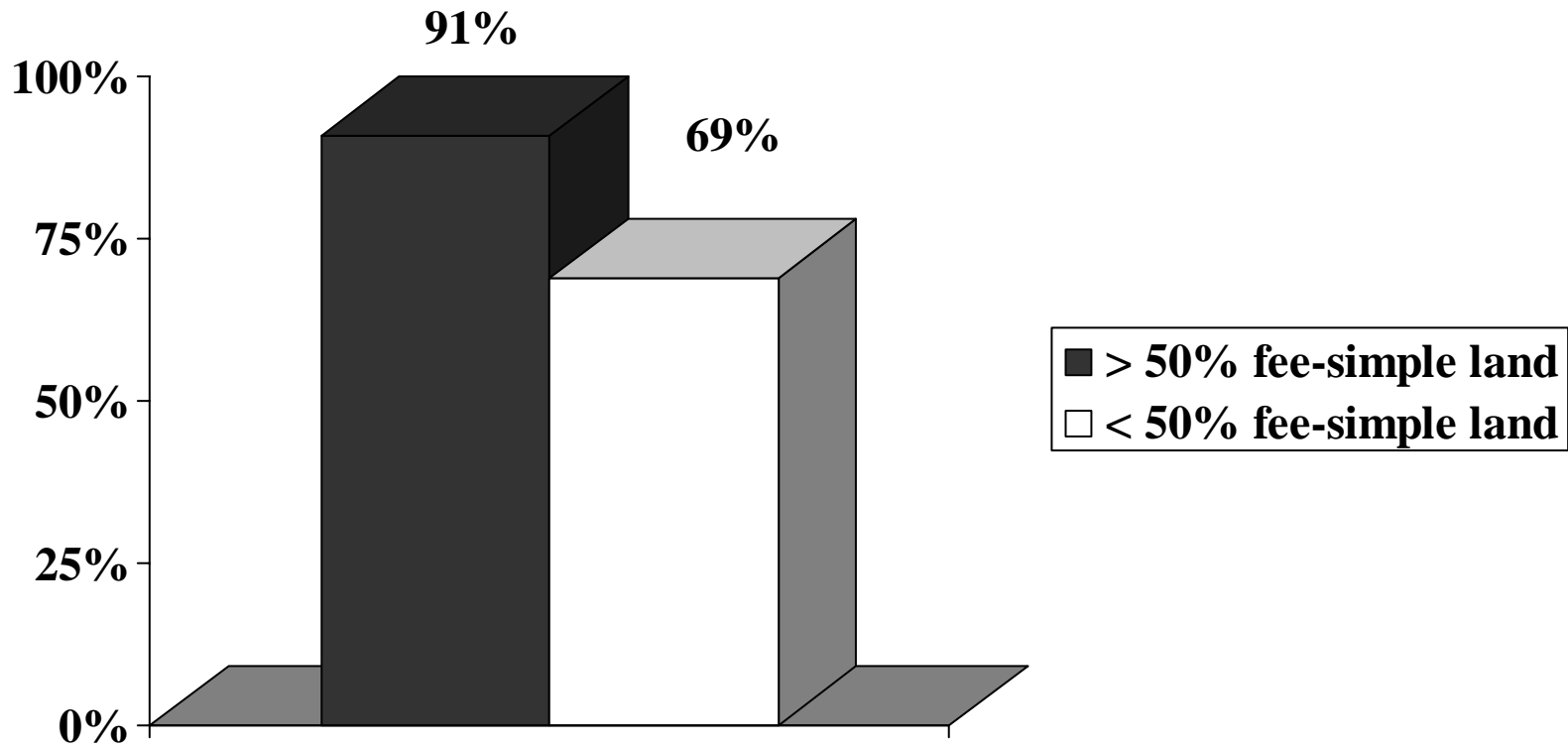
AEI Conference on:
Sovereignty and Indian Affairs
October 20, 2004

1999 Per-Capita Income of American Indians



Notes: The graph shows the mean across 81 reservations with Indian populations exceeding 1,000. Twenty-two of these reservations contain more than 50 percent fee-simple land and 59 contain less.

1969-1999 PCI Gr. Rates for American Indians



Notes: The graph shows the mean across 71 reservations with Indian populations exceeding 1,000, and for which income data are available for 1969 and 1999. Fifteen of these reservations contain more than 50 percent fee-simple land and 56 contain less.

Fee-Simple Results Depend on Reservation Characteristics

Results are strongest for:

- The largest reservations (those with the most acres)
- Reservations that are heavily dependent on agricultural
- Reservations without casino activity

Why has Fee-Simple Ownership Helped Tribal Economies?

- In contrast to tribal trust land, fee-simple land:
 - Can be alienated, leased, and altered without BIA approval
 - Does not require collective tribal management
- In contrast to individual trust land, fee-simple land:
 - Allows for consolidated ownership and therefore lower management costs and stronger residual claimant incentives

Fee-Simple Results are Consistent with other Empirical Studies

- *Secure property rights increase incentives to invest in land, and improve access to capital markets.*

Research in different countries

Besley, *J. of Political Economy* (1995)

Feder & Onchan, *Am. J. of Agricultural Economics* (1987)

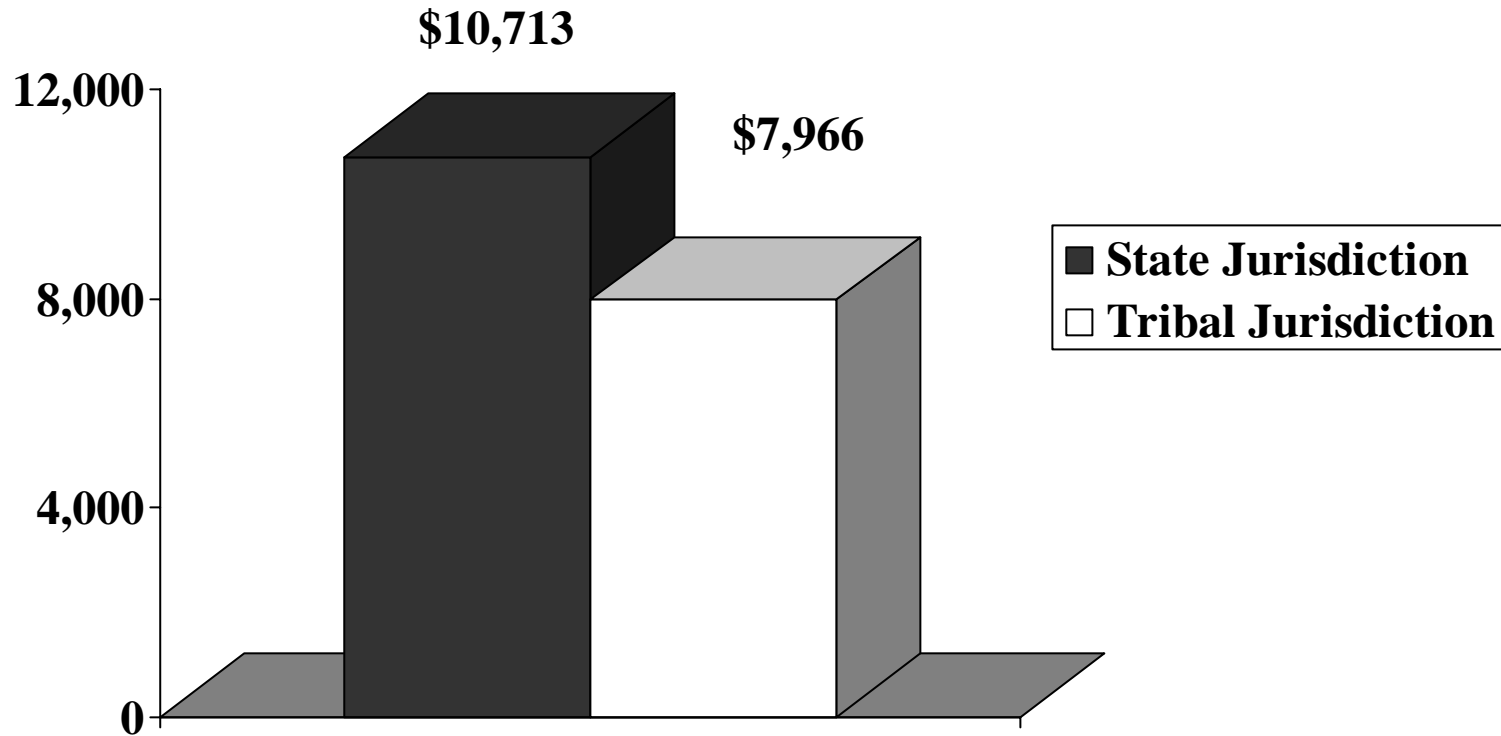
Desoto (2000)

Research of American Indian reservations

Anderson & Lueck, *J. of Law & Economics* (1992)

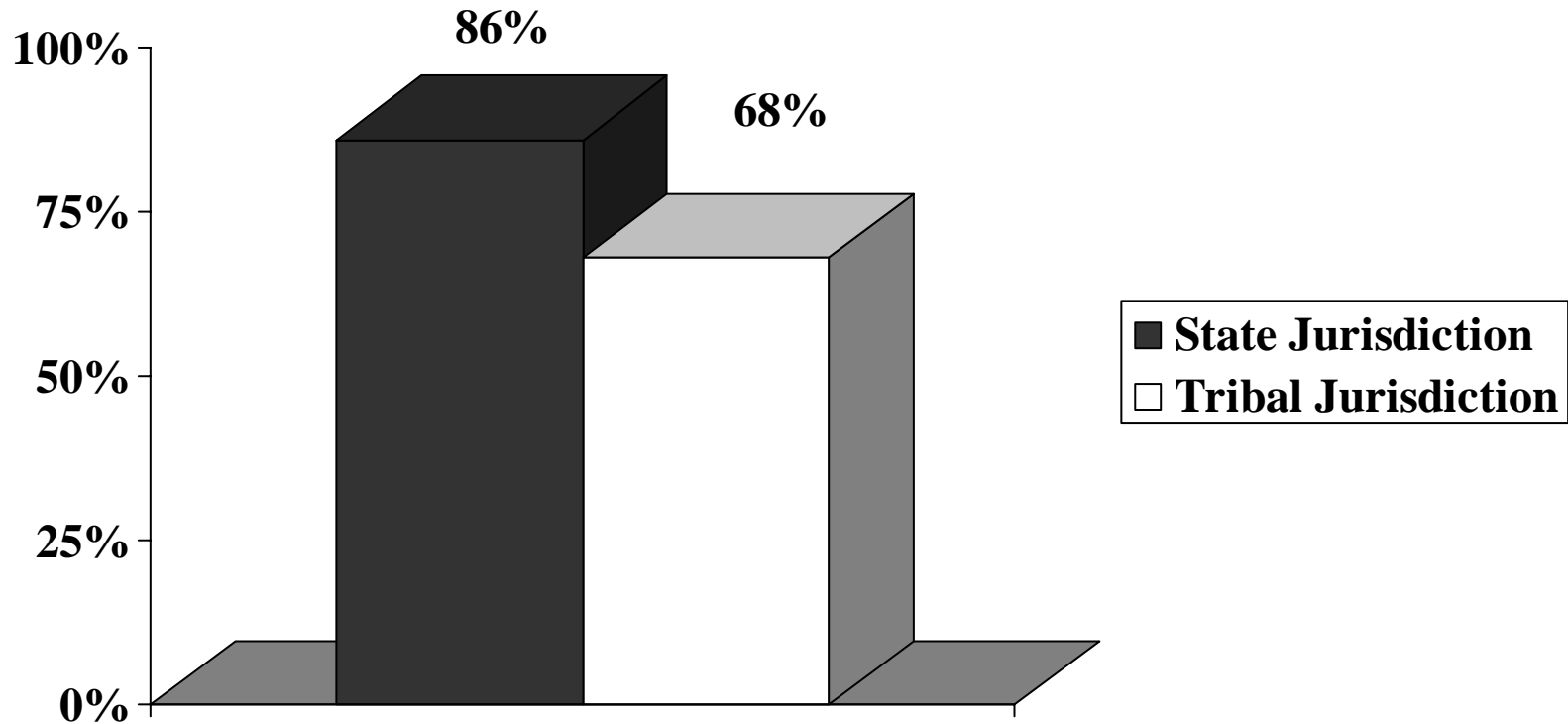
Libecap & Johnson, *Economic Inquiry* (1980)

1999 Per-Capita Income of American Indians



Notes: The graph shows the mean across 81 reservations with Indian populations exceeding 1,000. For this sample, state courts have jurisdiction over most contractual and tort disputes on 25 reservations. These reservations include three in New York, ten named in mandatory P. L. 280 legislation, and twelve where P.L. 280 jurisdiction was assumed on an optional basis by the state.

1969-1999 PCI Gr. Rates for American Indians



Notes: The graph shows the mean across 71 reservations with Indian populations exceeding 1,000, and for which income data are available for 1969 and 1999. For this sample, state courts have jurisdiction over most contractual and tort disputes on 22 reservations. These reservations include three in New York, nine named in mandatory P. L. 280 legislation, and ten where P.L. 280 jurisdiction was assumed on an optional basis by the state.

Jurisdiction Results are Robust

- Effects of state jurisdiction on growth rates are stronger when controlling for initial period income
- Results are not weakened when we control for:
 - Income & growth in adjacent counties
 - Distance reservation is to metropolitan areas
 - Casino activity on the reservation
 - Lagged measures of human capital

Why has State Jurisdiction Helped Tribal Economies?

- Tribal courts have let tribes and tribal members renege on contracts
- *Intra* and *Inter* tribal collective action problems make it difficult for tribes to credibly commit to a stable rule of law
- U.S. Courts have failed to give tribes and individual members the option to credibly contract-out adjudication on a case-by-case basis

State Jurisdiction Results are Consistent with other Empirical Studies

- *If government uses its power to redistribute property rights and the gains from contracting, it thwarts economic growth.*

Definitive case study

North & Weingast, *J. of Economic History* (1989)

Cross-country examinations

Hall & Jones, *Q. Journal of Economics*. (1999)

Acemoglu et. al., *Am. Economic Review* (2001)

Keefer & Knack, *Economic Inquiry* (1997)

Conclusions

- Without an institutional environment that lowers transaction costs and rewards productivity, American Indian economies will not progress
- Our results show that institutions supporting robust property rights and a stable rule of law are critical