



# *Lessons in Fiscal Federalism from Indian Country*

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# *A Reservation Through a Kid's Eyes*

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**Francis Calf-Looking  
Circa 1958**



# *A Reservation through an Economist's Eyes*

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## Median per capita income in 2008

Browning, MT	\$11,791
Montana	\$23,799



# *The Economics of Federalism*

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- **Tradeoffs—centralization vs. decentralization**
- **Centralization**
  - **Lower transaction costs for markets (e.g. UCC)**
  - **Uniform rule of law (courts)**
  - **Scale economies (public services e.g. law enforcement)**
- **Decentralization**
  - **Lower agency cost (elections)**
  - **Better information costs (repeat dealings)**
  - **Preservation of culture and norms (homogeneity)**



## *Who Decides?*

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- ◆ **Tradeoffs can be thought of in context of exogenous or endogenous**
- ◆ **Exogenous**
  - **Top down**
  - **Devolution**
- ◆ **Endogenous**
  - **Bottom up**
  - **Evolution**



# *Indian Institutional History*

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- ◆ **Rich history of Evolutionary Institutional Change**
  - **East to west**
    - ◆ **Property rights to land in the east**
    - ◆ **Investment in hunting and fishing capital in west**
  - **Pedestrian to equestrian culture**



# *Free Rider Problem?*

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# *Secure Prop Rights for Capital Investment*

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# *Indian Institutional History*

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- ◆ **Rich history of Evolutionary Institutional Change**
  - **East to west**
    - ◆ **Property rights to land in the east**
    - ◆ **Investment in hunting and fishing capital in west**
  - **Trade**
  - **Pedestrian to equestrian culture**
  
- ◆ **Exogenous institutions, especially after 1887, create a “resource curse”**



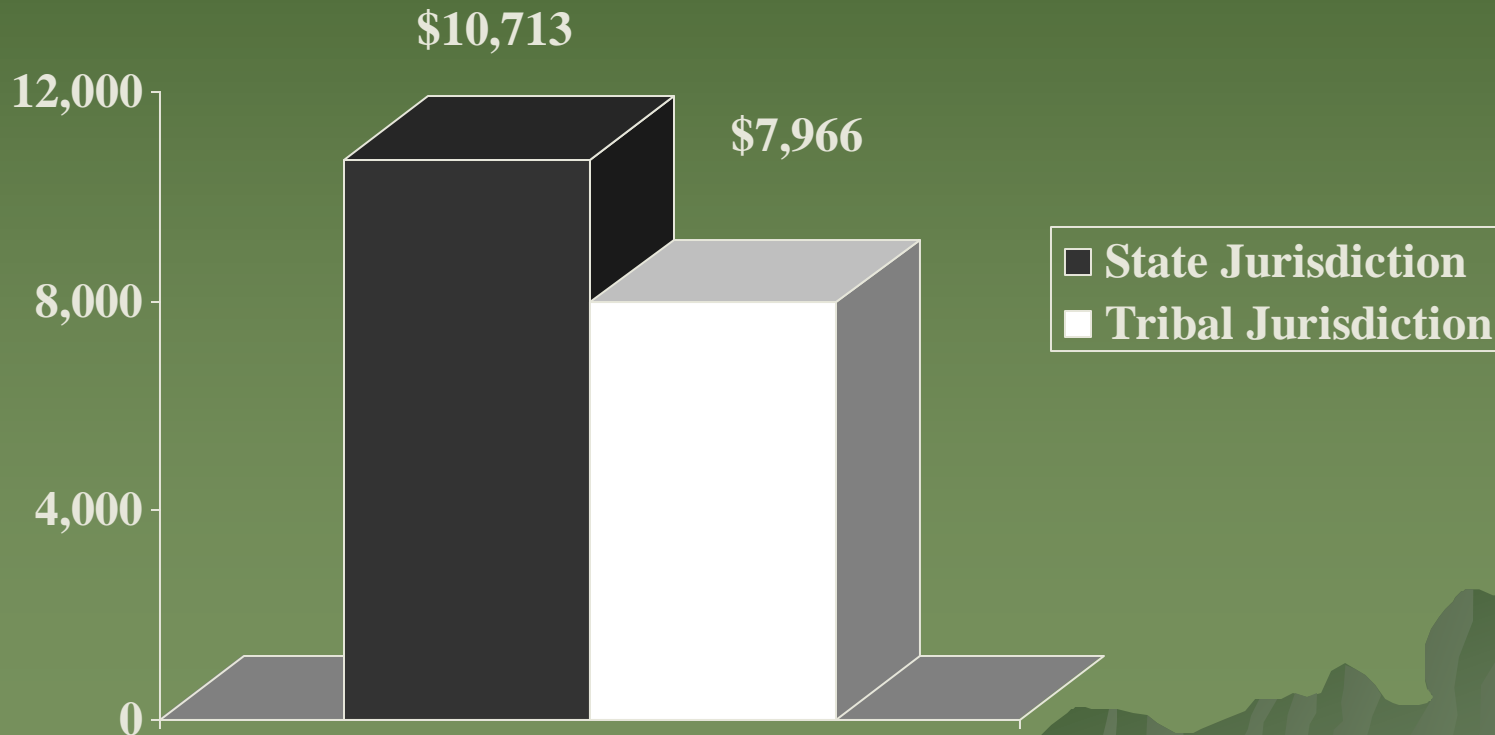
# *The Rule of Law— Crime and Contracts*

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- ◆ **Indian Major Crimes Act--1885**
- ◆ **Public Law 280--1953**

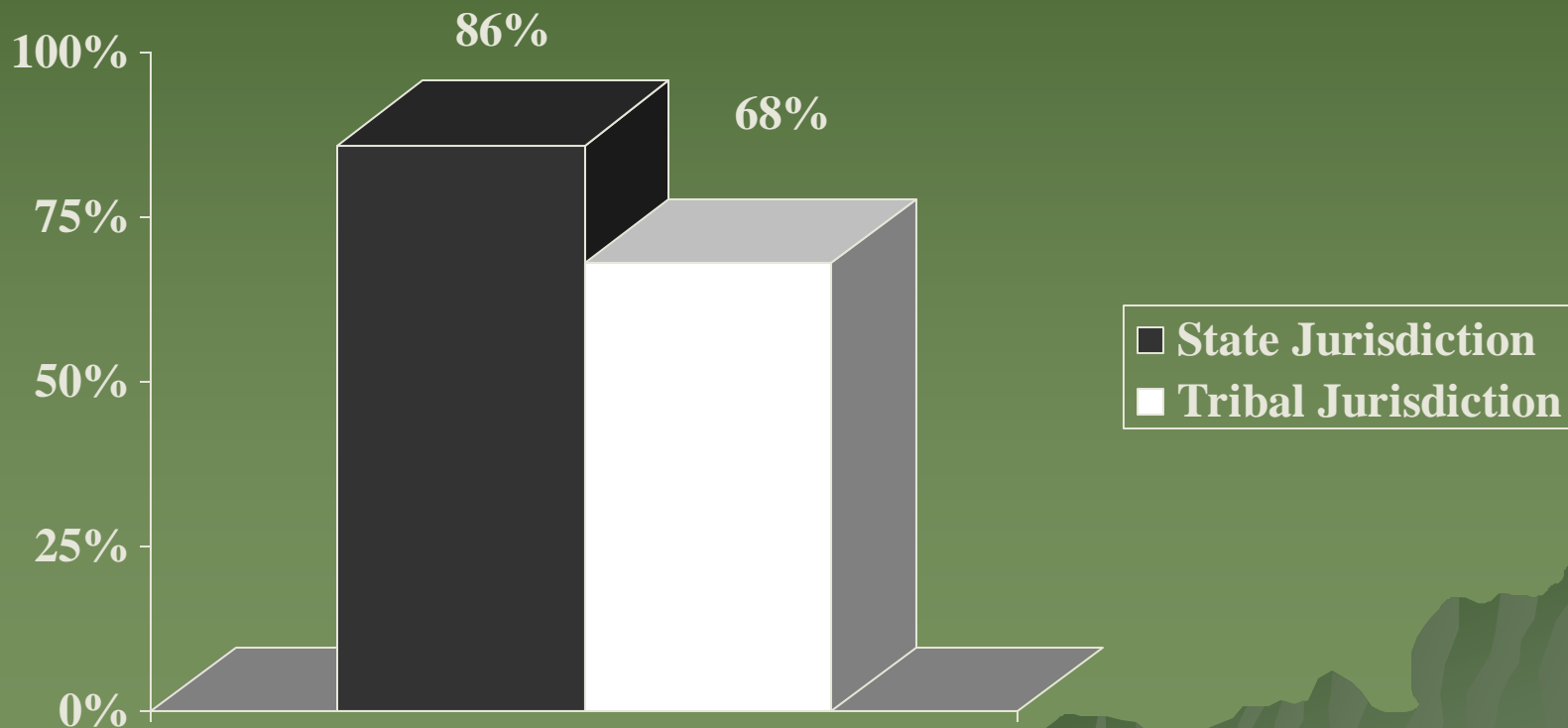


# 1999 Per-Capita Income of American Indians





# 1969-1999 PCI Gr. Rates for American Indians



*Table 3**Mean Per Capita Income on American Indian Reservations*

	Reservations with data for each of the six years, in 2012 \$s		Reservations with data for at least five of the six years, in 2012 \$s		
	P.L. 280 Reservations	Non-P.L. 280 Reservation	P.L. 280 Res.	Non-P.L. 280 Res.	
1915	2,988 (16)	3,257 (38)	2,624 (24)	3,168 (45)	
1938	2,831 (16)	2,935 (38)	2,775 (26)	2,929 (44)	
1969	8,198 (16)	6,405 (38)	7,895 (24)	6,415 (47)	
1979	10,088 (16)	9,162 (38)	10,934 (29)	8,994 (49)	
1989	9,325 (16)	8,229 (38)	9,409 (29)	8,361 (49)	
1999	12,726 (16)	10,752 (38)	14,452 (29)	11,082 (49)	





## *Statistics of P.L. 280*

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- **No difference between the mean per-capita incomes of P.L. 280 and non-P.L. 280 reservations prior to the passage of the law**
- **There is a statistically significant difference between the mean per-capita incomes of P.L. 280 and non-P.L. 280 reservations after passage of the law**
- **State jurisdiction has led to faster growth**
  - **Reputation**
  - **Consistency and uniformity**



## *Credit on Reservations*

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- **State jurisdiction increased per capita credit by 66 to 96% (1951-1970)**
- **State jurisdiction increased the probability of loan approval by 51 %**
- **Uniformity matters**



## *The Resource Curse*

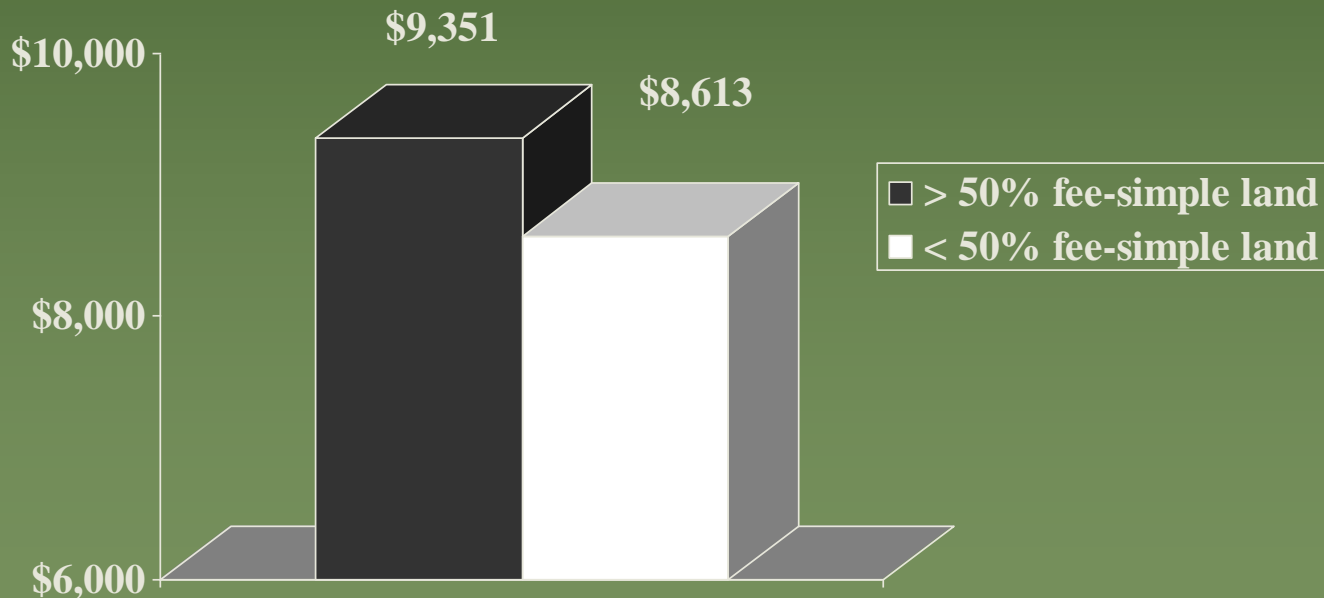
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- **Do resources lead to bad institutions or do bad institutions lead to misuse of resources?**
- **In the case of reservations, YES!**
- **Bad institutions from the top-down—Dawes and IRA**
  - **land transferred from Indian *jurisdiction***
  - **Trusteeship**
  - **State or tribal taxation and regulation?**
- **Trusteeship raises the transaction costs**
  - **Carlson**
  - **Trosper**
  - **Anderson and Lueck**



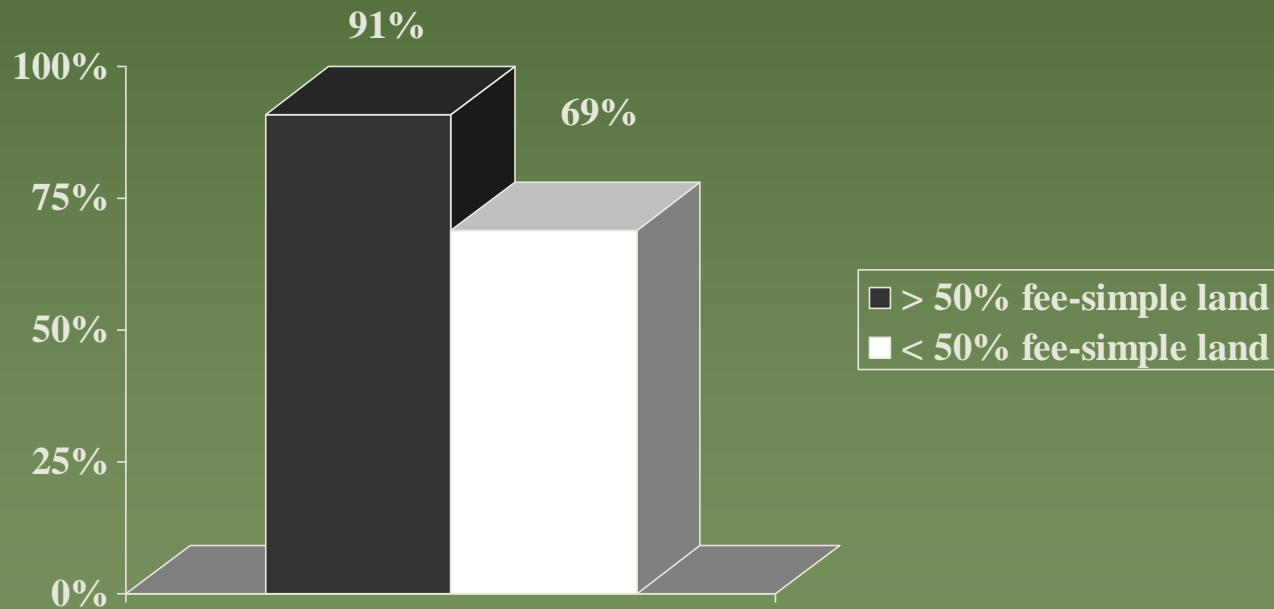
# *1999 Per-Capita Income of American Indians*

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# *1969-1999 PCI Gr. Rates for American Indians*







# *Getting from Here to There: A Tale of 2 Forests 1998-2005*

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	<b>Costs</b>	<b>Revenues</b>	<b>Net Rev</b>
<b>Flathead Res</b>	\$15 million	\$32 million	\$125 MBF
<b>Lolo NF</b>	\$24 million	\$27 million	\$13 MBF

**Tribe earns \$2.04/\$1 spent**

**Nat'l Forest earns \$1.11/\$1 spent**



# *First Nations Private Ownership Act*





# *“Beyond the Indian Act: Restoring Aboriginal Property Rights”*

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Manny Jules  
Shuswap Nation

**“We want to be able to own our own lands. Every other Canadian has this option, but not First Nations. We have been legislated out of the economy. We want to be legislated back in.”**





## *Sovereignty and Individuality*

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Bill Yellowtail  
Crow Tribe

- ◆ **“Indian sovereignty . . . is founded upon the collective energy of strong, self-sufficient, entrepreneurial, independent, healthful, and therefore powerful, individual persons.”**
- ◆ **“The proper economic role for tribal government is to facilitate private enterprise . . with an eye toward building the capacity of individuals and families to be truly independent.”**



# *PERC*

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