Comments on:

Lessons in Fiscal Federalism from Indian Country

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Main Message of the Paper:

While P.L. 280 entailed a loss of sovereignty, there was also a benefit in that it “binds tribes to a larger and more extensive system of contract enforcement”. This improvement in the functioning of the legal system created more economic security, which appears to have led to increased economic growth.

This seems quite plausible to me. The hard part is to present evidence that supports this argument.

Data and Evidence

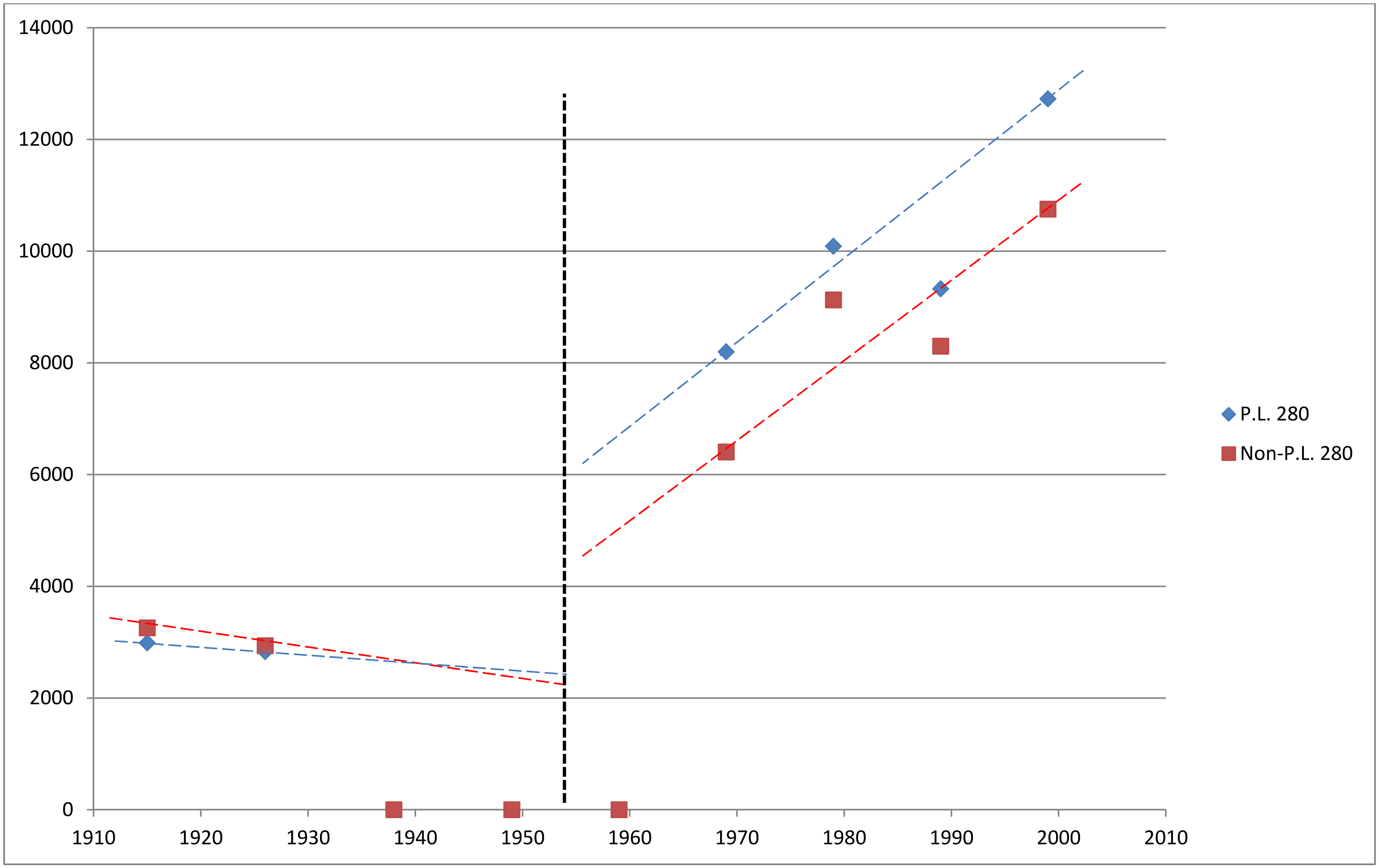
Table 3 summarizes data on mean per capita on about 78 Indian reservations for 6 years: 1915, 1938, 1969, 1979, 1989 and 1999.

The 1915 and 1938 data are from Bureau of Indian Affairs Reports and the 1969 – 1999 data are from U.S. Census Reports.

Question: Why not use data from previous censes as well?

The follow graph summarizes the data (from their Table 3):

Table 3 (Mean Per Capita Income, reservations with 6 years of data)



While the above data may suggest that P.L. 280 had a positive impact on per capita incomes on those Indian reservations that were required to comply with that law, the above graph is not particularly convincing because:

1. The income per capita on the non-P.L. 280 reservations were falling at a faster rate than income per capita on the P.L. 280 reservations even before P.L. 280 was enacted.

2. The post-1953 trends suggest that there was already a big gap in favor of the P.L. 280 reservations in the 1950s.

Regression analysis is needed to make a more convincing case.

Regression Analysis (Difference in Differences)

The following regressions are run using ~300-400 panel data observations:

$$y_{it} = \alpha + \delta y_{i,t-1} + \beta(\text{state. juris.}) + \delta(\text{slots/capita}) + \eta_t + \lambda_i + \varepsilon_{it}$$

$$y_{it} = \alpha + \delta y_{i,t-1} + \beta(\text{state. juris.}) + \delta(\text{slots/capita}) + \eta_t + \lambda_i + \phi_i \text{Time} + \varepsilon_{it}$$

For the 1st equation, state jurisdiction (P.L. 280) is significant in all 4 regressions. But for **second regression**, it is **significant for only 1 of the 4 regressions**.

Comments and Suggestions for Regressions

1. Assuming that the state trends are highly significant, the evidence is not very strong to support the overall claim.

2. I would go ahead and show 10% significance in Table 4.

3. Add any more census data that you can get for pre-1969 years.

4. Another variable that would seem important would be state income per capita in the state the reservation is in (for reservations in 2+ states, take the average over those states).

5. Consider replacing the “state jurisdiction” dummy variable with “years under state jurisdiction”, since effects should be cumulative.

6. Try to come up with instrumental variables for the state jurisdiction dummy variable, though this will not be easy.

7. Try poverty rate and inequality as dependent (left hand side) variables, to see whether the benefits to growth are widespread or concentrated.

8. Do the benefits accrue to more educated, more assimilated members within a reservation? (Use IMPUMS data to get information on individual people.)

Other Comments and Suggestions

1. I would like to see more discussion about how Congress decided which tribes would be required to comply with P.L. 280.

2. Related to the above point, more discussion on whether P.L. 280 could have had a later impact on casino adoption. Maybe instrument casinos. (Also, show the results in an appendix when casinos are dropped from the regressions.)

3. It is not always clear why the number of observations changes in Table 4.