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## Building Arizona's Future: *Jobs, Innovation & Competitiveness*

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## Chapter 13

# NATIVE NATIONS AND ARIZONA'S ECONOMY

Stephen Cornell  
The Udall Center for Studies in Public Policy  
and  
Miriam Jorgensen  
Native Nations Institute  
The University of Arizona

### KEY POINTS

- American Indians are disproportionately represented among the low-income residents of the state of Arizona.
- Across the United States—including in Arizona—reservation economies are growing at a fast pace. But low starting points for growth mean that it will take years for American Indian indicators of well-being to approach the levels enjoyed by non-Indian residents of Arizona.
- Once on the margins of Arizona's economy, Native nations are now significant contributors. Not only gaming, but mining, timber harvesting, tourism, and resort operations, among other Indian-owned business activities, generate jobs for Arizonans.
- Increased Native self-determination created new economic opportunities for Indian nations. Strengthened Indigenous governance institutions created institutional environments that can sustain development. Together, these factors have spurred Native nation economic growth in the Southwest—and across the U.S.

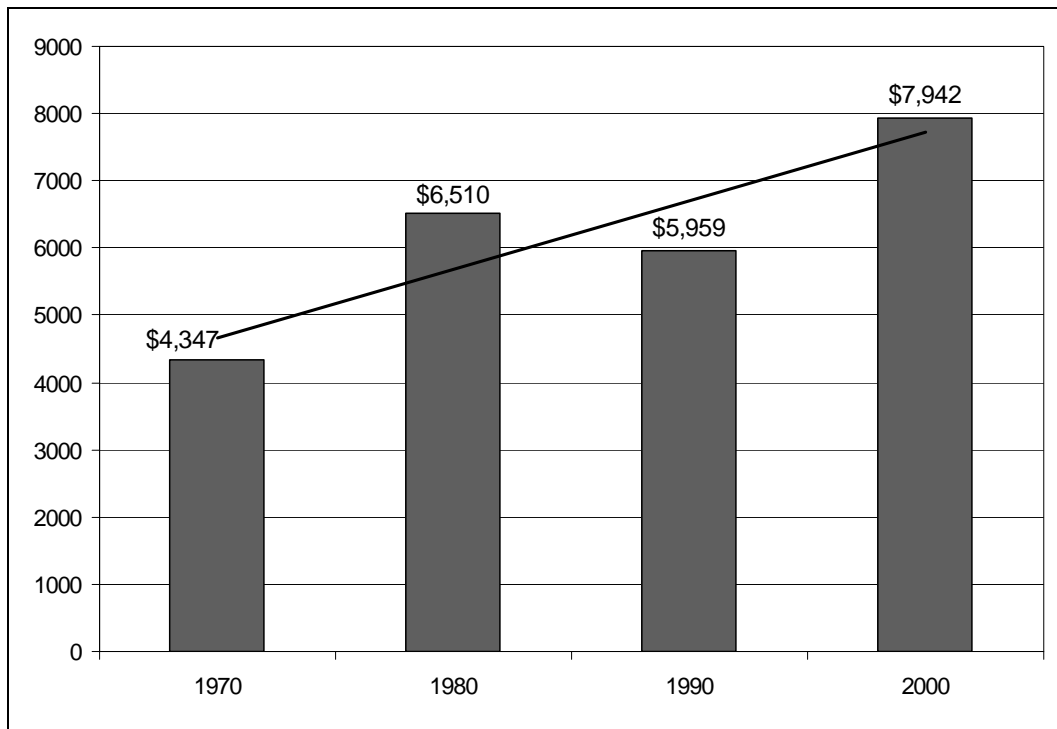
### NATIVE NATIONS

The Indigenous peoples of Arizona—like the Indigenous peoples of the United States as a whole—have long been among its poorest citizens. As of the 2000 Census, for example, American Indians represented 13% of the state's population in poverty, although they represented only 5% of Arizona's population overall.<sup>77</sup> Some of the most severe pockets of poverty are on reservations.

Yet the situation is better than it was four decades ago. Native nations in Arizona and elsewhere are in the process of creating productive economies that generate benefits far beyond reservation boundaries.

Using U.S. Census data, Figure 13.1 shows the growth, 1970 to 2000, in inflation-adjusted per capita incomes for American Indians living on U.S. Indian reservations. This income growth rate was much higher than the comparable rate for the U.S. population as a whole. Other indicators also show promising patterns. During the same period, for example, aggregate poverty rates among reservation households were falling, and reservation employment rates were rising.<sup>78</sup>

**Figure 13.1**  
**Inflation-Adjusted Per Capita Income, 1970-2000:**  
**American Indians on Reservations**

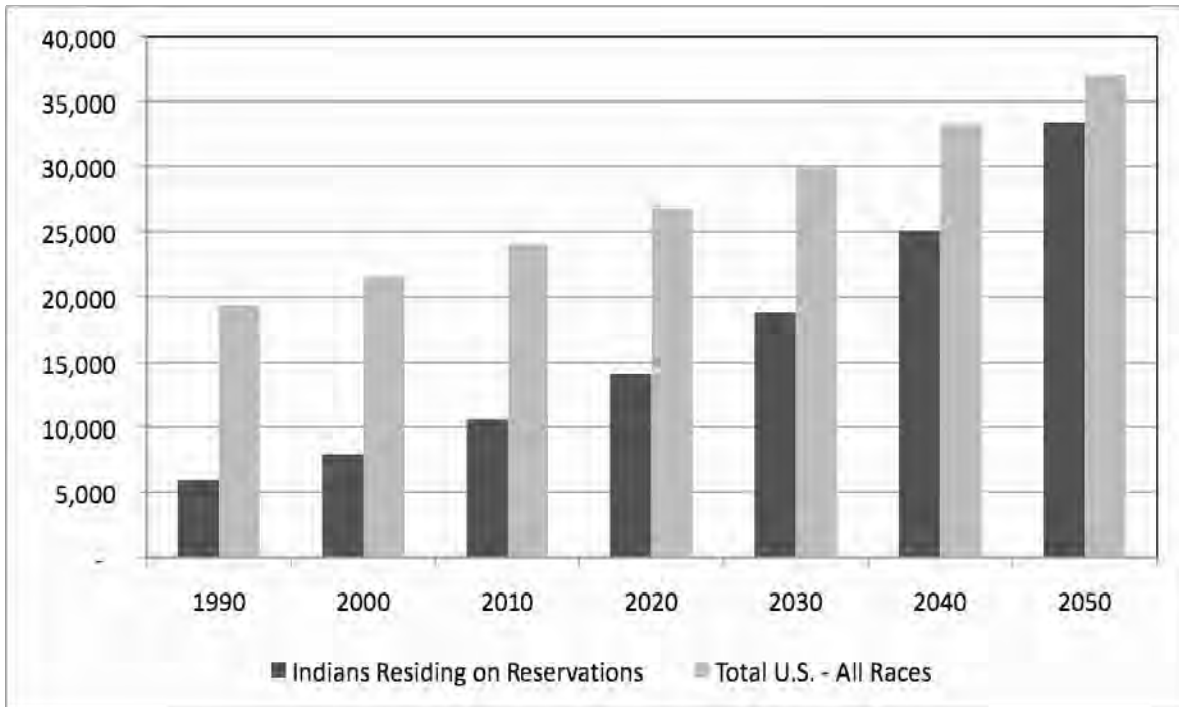


Source: Taylor and Kalt, 2005.

While rates of change vary somewhat by region and economic indicator, the results hold for the Southwest generally, including Arizona. Looking to the future, changes in tribes' opportunity sets and the recent economic downturn may slow these trends, but we expect the *overall* pattern of improvement to continue.

This does not mean that all is well, socioeconomically, on Indian lands in Arizona or elsewhere. In the aggregate, economic conditions on reservations continue to be characterized by low per capita incomes, high unemployment, inadequate housing, and some of the worst health indicators in the country. This combination of dramatic improvement on the one hand and continuing dire conditions on the other results in part from the extremely low starting point for most Native nations. In 1974, the U.S. Department of Health, Education, and Welfare (now the Department of Health and Human Services) issued a report describing the rural Indian population in the U.S. as "in a class of poverty by themselves."<sup>79</sup> In 2010, that population still has a long way to go. For example, even if the high rates of change in per capita incomes on reservations were to continue, it would be nearly half a century before reservation incomes approached the mainstream (Figure 13.2).

**Figure 13.2**  
**Actual and Projected Inflation-Adjusted Per Capita Income, 1970-2050:**  
**Indians on Reservations and U.S. All Races**



Source: Taylor and Kalt (2005)

Note: Statistics for 1970-2000 are actual values; statistics for 2010 through 2050 are projected values, using the growth rates experienced in the 1990s.

### **RESERVATION ECONOMIES**

The core point, however, is that after a century or more of relentless poverty, the Indigenous economies of the United States have begun to grow, and those of Arizona have been no exception. Having been on the margins of the state's economy, Native nations are rapidly becoming not only participants in but significant contributors to that economy. To offer just one example: a 2002 University of Arizona study found that in FY 2000-2001, the Pascua Yaqui Tribe spent approximately \$103 million on goods and services; 89% of those dollars went to businesses, agencies, and governments within the State of Arizona. Those expenditures stimulated \$58.8 million in new economic activity in Arizona, activity that in turn generated more than 1200 regional jobs. This is employment above and beyond the jobs offered by the Tribe itself.<sup>80</sup> And Pascua Yaqui is one of the smaller tribes in the state.

Of course when people talk about the economics of Indian Country, they often focus on tribal gaming operations. This is understandable, given the headlines, and these operations indeed are important, both to Indian nations and to Arizona. Gaming operations generate literally thousands of jobs, many of them held by non-Indians, whose impacts ripple through the state's economy.<sup>81</sup>

Additionally, gaming tribes share a portion of their profits with the state, monies which provide Arizona communities with greater flexibility in serving their citizens' needs.

But it would be a mistake to focus solely on gaming. As large as its impact has been, it also has been narrowly distributed, with gaming revenues concentrated among those nations located close to urban markets. Meanwhile, other economic activity has been having its own effects. The Navajo Nation, the Hopi Tribe, and other Native nations attract thousands of tourists to Arizona every year. Those tourists pay for lodging, food, transportation, gifts, and souvenirs as they explore Arizona's Native past and present. The Gila River Indian Community is one of several nations that run first-class destination resorts. Prior to the massive Rodeo-Chediski forest fire in the summer of 2002, the White Mountain Apache Tribe, located in the east-central part of the state, was a major exporter of timber. The White Mountain Apaches, the San Carlos Apaches, and the Hualapai Tribe run top-of-the-line trophy hunting operations that draw hunters from across the United States. Navajo oil, gas, and coal resources bring millions of dollars into Arizona.

### WINDS OF CHANGE

In short, Native nations have become significant players in the state's economic growth.

What explains this transformation? One critical factor has been federal policy. In the 1970s the United States moved from overt, paternalistic controls of Indian affairs to a policy of self-determination. While it's an open question whether federal policy-makers had genuine self-determination (Native nations taking over control of their lands, governments, and decisions) in mind, tribal leaders seized the opportunity to maximize practical decision-making power in Indigenous hands. For the first time in generations, development decisions began to reflect Indigenous priorities instead of federal ones. One result was accountability: for the first time in the modern history of Indian affairs, those making the decisions were also the ones experiencing the results of those decisions, a crucial link between decisions and outcomes that was entirely missing when the federal government called the shots on Indian lands.

A second critical factor has been the reorganization of Indigenous governing systems. As Native nations moved into the driver's seat in their own affairs, they began to rethink the governing systems they had inherited, largely from federal bureaucrats who came up with models of tribal "governance" in the 1930s. These models were poorly designed for the demands of contemporary times. Across the country Native nations have been developing new ones, introducing strong court systems, rethinking tribal administration, and working to create institutional environments that can sustain development.

Arizona tribes are participants in this trend and occasionally have been at the forefront. The Navajo court system, for example, is one of the most innovative in the country. As Native nations continue to assume direct control of their own affairs and back up that control with capable governing institutions of their own design, their economies are likely to expand further—and further enhance their already productive role in Arizona's economy.

**Stephen Cornell** is professor of Sociology and director of the Udall Center for Studies in Public Policy at the University of Arizona. Among his publications are *The Return of the Native: American Indian Political Resurgence*

and *What Can Tribes Do? Strategies and Institutions in American Indian Economic Development* (co-edited with Joseph P. Kalt). A specialist in political economy and cultural sociology, Cornell holds a PhD degree from the University of Chicago and taught at Harvard University for nine years before moving to the University of California, San Diego, in 1989 and then to The University of Arizona in 1998.

**Miriam Jorgensen** is research director of the Native Nations Institute for Leadership, Management, and Policy at the University of Arizona and Research Director for the Harvard Project on American Indian Economic Development at Harvard University. She is editor and co-author of *Rebuilding Native Nations: Strategies for Governance and Development* and a contributing author of *The State of the Native Nations: Conditions under U.S. Policies of Self-Determination*. She received her B.A. in economics from Swarthmore College (1987), B.A. and M.A. in human sciences from the University of Oxford (1989, 1995), M.P.P. from the Kennedy School of Government at Harvard University (1991), and PhD from Harvard University (2000).

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<sup>77</sup> Kids Count Census Data Online, “2000 Census Data Race Profile for Arizona” [www.kidscount.org](http://www.kidscount.org)

<sup>78</sup> Jonathan B. Taylor and Joseph P. Kalt. *American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses*, Harvard Project on American Indian Economic Development, John F. Kennedy School of Government. (Harvard University, Cambridge, MA, 2005).

<sup>79</sup> *A Study of Selected Socio-Economic Characteristics of Ethnic Minorities Based on the 1970 Census*, Vol. 3: American Indians, HEW Publication No. (OS) 75-122, Office of Special Concerns, Office of the Assistant Secretary for Planning and Evaluation. (U.S. Department of Health, Education, and Welfare, Washington, DC, p. v., 1974).

<sup>80</sup> Stephen Cornell, Laura Ledwith, and Jonathan Taylor. *An Analysis of the Economic Impacts of Pascua Yaqui Tribal Operations on the Arizona Economy*. Native Nations Institute for Leadership, Management, and Policy. (University of Arizona, Tucson, AZ, 2002).

<sup>81</sup> Stephen Cornell and Jonathan B. Taylor. *An Analysis of the Economic Impacts of Indian Gaming in the State of Arizona*, Udall Center for Studies in Public Policy (University of Arizona, Tucson, AZ, 2001).