Self-Determination

THE OTHER PATH FOR NATIVE AMERICANS

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ONE

False Myths and Indigenous Entrepreneurial Strategies

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It is easy to find popular opinions regarding the historical context of Native American economics and trade. The *Encyclopedia of Native American Economic History*, for example, states that Indian culture was "fundamentally a set of collectivist social and economic systems" (Johansen 1999, p. xv). In the early 1960s, Stewart L. Udall, Secretary of the Interior under President Kennedy's administration, was fond of lecturing Americans that "the Indians were, in truth, the pioneer ecologists of this country" (Wilson 1992, para. 14). And Winona LaDuke, the Native American running mate in Ralph Nader's 1996 presidential bid, argued that the "concept of private land ownership was foreign to us. We have traditionally had collective landownership, with individual and family use rights" (LaDuke 1999, para. 4).

What are the common threads in these statements? First, they are historically inaccurate, and second, they are fundamentally misleading in describing the entrepreneurial potential of the indigenous cultures of North America. While tracing how these false myths became so ingrained in the modern perception of Native American culture is, in itself, an interesting exercise,

in this chapter we argue that these beliefs have become so potent that they now influence the way modern researchers and policy makers treat economic behavior among indigenous populations.

Over the past decade, much has been spoken and written about the nature of indigenous economic development in both the popular and academic literatures. Within this context, indigenous entrepreneurial activities are often cited as the "second wave" of economic development, with the first wave of economic development being direct governmental support and wealth transfer policies (Stevens 2001). As entrepreneurial behavior plays an increasingly important role in the economic development of indigenous populations, business and management theorists are more carefully investigating the nature and theoretical foundations of indigenous entrepreneurship.[1]

Most, albeit not all, modern treatises on indigenous economic and entrepreneurial development assume, or at least argue, that there are several inherent characteristics of these native populations that make them unique and at odds with the European-based cultures that ultimately dominated the landscape. The most often cited characteristics suggest that indigenous populations are fundamentally more collective in their societal activities, they historically have a different sense of private property ownership, and their desire to enjoy economic development is essentially subordinated to a more "harmonious" relationship with nature.

The purpose of this chapter is to directly challenge these critical assumptions and argue that, in fact, many of these often cited economic characteristics are the result of an artificial nineteenth-century "collective" land tenure system and a twentieth-century "romantic" image. As such, we argue that these historical distortions are inconsistent with economic theory, and that they cloud not only our ability to properly understand the well-documented low incidence of self-employment and entrepreneurial activity among modern indigenous populations, but also our societal efforts to create the mechanisms capable of remedying this situation. It is our belief that once a more accurate historical context regarding indigenous economic and entrepreneurial behavior is understood, then policy makers, tribal leaders, and researchers can start formulating well-thought-out entrepreneurial strategies for a sustainable "second wave" of economic development.

Although our arguments focus on the historical economic culture of indigenous populations in the United States and, to a certain extent, Canada, similar challenges can be made for other indigenous communities, such as those in Brazil (Garfield 2001, 2004) that have also labored under forced land tenure and property right systems since the nineteenth century. We recognize that most of the world's indigenous populations, such as those in Mexico, South America, Asia, and Africa, have, at best, only weak land and property rights systems at the present time. And as de Soto (2000) argues, for these populations, new and better-designed property rights and land tenure systems certainly need to be created. We suggest that, in addition, these new property right regimes need to be free of the distortions introduced by the nineteenth-century legal anachronisms and false assumptions.

Property rights, in fact, are one of the most important instruments of societal and economic development. To Demsetz (1967, p. 347), they are mechanisms that assist people to "form those expectations which (they) can reasonably hold in their dealings with others." There is solid evidence relating efficient property rights systems with long-term economic growth.[2] When such systems are properly developed, they become capable not only of lowering the various costs of both organization and market transactions, but also of creating the right links between effort and reward—thus fueling value-added entrepreneurial activity. This evidence provides a robust basis for the main arguments of this chapter.

The next sections examine three commonly referenced "myths," and discuss them within the context of institutions and property rights. We then comment on the effects that these distorted views had on the creation of nineteenth-century land tenure systems and the implication of these static economic regimes for the development of entrepreneurial activity among the indigenous populations of North America.

THE ECONOMIC CONTEXT OF FALSE MYTHS

False Myth One: Indigenous Populations Historically had Either a "Different" or More Communal Sense of Property Ownership

One of the most commonly repeated false myths, often put into the context of landownership, is that indigenous populations historically did not view property as private, or that they shared communally the various factors of economic development (Mika 1995; Johansen 1999). There is little historical basis for this myth. Instead, there is ample historical and anthropological research to indicate that precolonial indigenous populations had a highly developed sense of individual private property, including that of land (Anderson 1995; Miller 2001; Bangs 2002), and that the forces for the cooperative collection or ownership of these rights were primarily economic, and not cultural, in nature.

In truth, many of the well-known early European settlements in North America were far more communal in nature than the surrounding precolonial indigenous settlements. For example, in 1620 the Mayflower pilgrims established the Plymouth colony in Massachusetts as a communist collective. The settlers immediately began to experience free rider problems and the colony declined. Using the surrounding indigenous people as a model for individual land rights and economic sustainability, Governor William Bradford finally privatized much of Plymouth's property, and the young colony subsequently prospered (Bethell 1998). Massachusetts land deeds from the 1620s and afterward clearly show that the local indigenous people not only understood and defined their individual-based land rights prior to and during their early contact with Europeans, but also that colonial courts consistently pursued policies intended to protect the property rights of these local individual Indians during land transactions (Wright 1906; Bangs 2002). As Bangs (2002, para. 13) notes: "Communal land ownership is a concept that cannot be derived from the documented information."

A similar philosophical difference occurred between the eighteenth-century Spanish Catholic missionaries and the local farming bands in the southwestern regions of the United States. Building upon the monastic notions of communal behavior and support, the early Franciscan and Dominican padres founded the missions in the Southwest under the ideal of a native-owned communal economy,[3] an economic system that proved somewhat at conflict with the local indigenous population's sense of private property and landownership rights (Margolin 1978). For various reasons, the missionary system broke down; and, after the 1834 secularization proclamation of Governor José Figueroa, half the property of the California missions was to be redistributed to the former mission Indians as individual private property, something that was never fully accomplished (Hudson 1901).

Even the free-range livestock grazing strategy of both the early eighteenth-century rancheros in Texas and the large pioneer nineteenth-century cattle ranchers of Wyoming and Oklahoma had at its foundation a broader communal notion of land and water rights. These rights were often seen as more family-specific and, on occasion, even individual-specific by local native horticulturists, who relied on irrigated croplands (Morriss 2001; Miller 2001).

From where does the myth of broad communal property ownership come? As with any pre-twentieth-century diversified culture, there was no standardized system of property rights among the local indigenous people. Instead, the key to appreciating the importance of property rights and ownership among indigenous North American communities is understanding the critical factors of production and economic activity for a particular tribe, how those factors of production and their related assets evolved over time, and how the economics of institutional and organizational frameworks used to organize, manage, and police property rights are tied to these productive and technological activities. Simply put, property right systems develop when assets are valuable and scarce, and societal gains from internalizing the potential externalities associated with the use of these assets are greater than costs of internalization (Demsetz 1967).

For the static farming-based tribes, landownership and related property rights were highly developed. Among the farming bands in southern California, a family member would gain private ownership over land by a classic homesteading process of required improvement for purposes of farming. This land could then be protected against trespassers and squatters, and it could also be sold, leased, and inherited. Included in these property rights were the instruments for land development such as plows (Shipek 1982, 1986, 1987). Less valuable land might be collectively managed for temporary grazing, with strong controls over any "free rider" problems. Similar systems were evident throughout California during precolonial times (Margolin 1978).

This finely tuned concept of individual or family landownership is repeated for almost every precolonial indigenous farming-based community, particularly those with significant population pressures and scarce arable land (Debo 1970). In fact, among almost all North American farming tribes, land was considered private and either individually or family owned as long as improvements were made and the land used (Copper 1949). Different tribes used different methods such as rocks or sticks to mark property boundaries, and the recording and transfer of these property rights differed from tribe to tribe, usually by a combination of written and oral traditions (Herskovits 1940).

Not surprisingly, in fishing-based communities, individual private ownership focused on fishing-related assets (Rogers and Taylor, 1981; McMillan 1999). Pacific Northwest Indians had well-defined salmon rights. Individuals and families even owned parts of lakes, inland seas, and rivers that had valuable seafood deposits (Collings 1997). Among the Eastern James Bay Cree, fishers had to obtain permission to access land "owned" by the tallyman, or beaver boss (Collings 1997). The Lummi tribe of the northern Puget Sound and southwestern British Columbia allowed individual property to be inherited (Higgs 1982).

Similarly, once pelts became an important trade item, the fur-trapping natives of Canada and the northern regions of the United States quickly established small family ownership over prime trapping territories and beaver houses,[4] and both inter- and intratribal trade of pelts became largely an individual effort (Trigger 1978; Ewers 1997). Fur-trapping territories were carefully marked and defended. The Inuit of northern Canada, in spite of a stated generosity regarding the use of their lands, had definite concepts about the territorial rights and limits of the tribe and band, as well as systems of tenure and allocation within these groups (Usher 1992, p.46). In some other cases, even passes for travel into another family's trapping and hunting areas were privately owned (Oberg 1973), and punishment of trespassers was strictly enforced (Speck 1915). Property rights were so well developed that a starving native could legally kill a beaver to eat, but he had to leave the fur and tail for the rightful owner (Leacock 1954).

In the more nomadic hunting and extortionist raiding tribes, the horse, once acquired from the Spanish, gradually became the most valuable and therefore, privately owned asset of an individual (Ewers 1969). Horses were individually marked, and they were regularly sold, traded, or leased. A stolen horse, if recovered in a retaliatory raid, would be returned to the original owner (see also Roe 1955). Firearms, another important factor of production for these tribes, were also valued, clearly marked, and individually owned. Ownership of land, however, although important for farming tribes, was irrelevant as a factor of production for these nomadic tribes and thus culturally and economically immaterial (Llewellyn and Hoebel, 1973).

Individual slave ownership and trade were also prevalent among precolonial indigenous tribes throughout North America, extending to the end of the nineteenth century (Bailey 1966). By the early nineteenth century, for example, intertribal slave markets, particularly in Canada, were well defined, with transaction prices indexed in terms of either blankets or copper plates (Herskovits 1940). Similarly, the plains Indians considered slaves and, in some cases, wives, as private property that could be bartered for horses and other commodities.

It is interesting to note that because certain valuable assets such as horses, firearms, wives, and slaves were more portable, and thus with individual property rights more easily monitored and enforced than with farming land, fishing areas, and fur-trapping regions, the recording of these rights among the nomadic tribes was naturally less sophisticated. There is also evidence that some types of privately owned, portable assets could be used as a primitive form of venture capital, where the returns would be shared between the asset owner and the entrepreneur.

Property rights also extended to other products of individual effort. Before the introduction of firearms, members of a buffalo hunt would mark their arrows, thus claiming ownership over a kill (Steward 1938). In early Cheyenne tribal law, a private property system was well established, covering a variety of different assets including productive activities and constituting a basic component of Cheyenne organization. Property rights over blankets, jewelry, pottery, and other manufactured trade items were strictly enforced (Llewellyn and Hoebel, 1973).

In addition, Native Americans extended property rights to whole classes of intangible assets such as songs, stories, body markings, and ceremonial rituals (Densmore 1939). These intangibles were also privately owned, inheritable, and could be sold in a manner that was often more sophisticated than in many contemporaneous European systems (Laird 1976; Greaves 1996).

We argue that property-related difficulties between Native Americans and immigrant Europeans in the seventeenth to nineteenth centuries were rarely caused by any cultural or philosophical differences regarding the fundamental notions of property rights and ownership. Instead, these issues and disagreements primarily arose when the local economies of Native Americans and Europeans differed in their productive activities and thus in their perceptions about the *types* of local assets and factors that were valuable and scarce and therefore subject to private ownership and legal trade.

However, when Native Americans and Europeans shared similar local economies such as small-plot farming, typically the two cultures had a clearly understood and agreed-upon set of mechanisms to support the contractual

sale of the relevant asset such as cropland or water rights. For example, in their relations with the static farming-based Mahican Indians of the Northeast, the colonizing Europeans recognized the fee-simple rights of cropland ownership by the Mahican owner and always approached the lineage leader for purchase in order to start their own farms (Brasser 1974). This conclusion is repeated by many other researchers who have examined actual deed transactions in early colonial times (Wright 1906; Bangs 2002).

Several authors have suggested that because European and indigenous farming or hunting methods were historically different, it is inappropriate to apply European property theory to cultures with non-European economies (see Tully 1995; Bishop 1997). We argue that this position ignores the role technology plays in developing the factors of production and the group ownership over these factors among precolonial indigenous populations. It also ignores how organizational solutions to manage the resulting economic externalities are established. Thus, although extended family or clan ownership of farming and hunting tracts appeared, on the surface, common among some North American indigenous populations, we believe the true explanation is more an economically driven issue of cooperative strategies to access social capital while managing economic externalities, which has little to do with fundamental differences between the two cultures regarding property rights.

For example, in his analysis of precolonial Iroquois farming, Bishop (1997) acknowledges that clearing forests with fire and stone axes encouraged shared labor and group ownership. Or, to use our terminology, the more primitive technology used by the precolonial Iroquois demanded cooperative strategies to achieve some level of economic efficiency. However, due to a lack of an institutional framework to effectively organize these cooperative strategies among unrelated entities, the Iroquois, like the highland Scottish clans, had to access the social capital derived from related parties in the form of clans and families. Because of network complexity, however, social capital typically has substantial diminishing returns to scale or, in other words, the larger the radius of the network that is required to access social capital, the weaker the ties among its members. This naturally results in relatively small and fragile cooperative organizations that rapidly dissolve and are replaced as technology or demand/supply conditions change—as they did when the entrepreneurially inclined Iroquois adopted the European trapping, farming, and trade technologies. In these situations, weak property right regimes are easily abandoned and new ones quickly established as productive technologies become more efficient.

Thus, the issue is not a cultural difference between the European and indigenous views of property as proposed by Tully (1995) and Bishop (1997, 1999), but rather how different cultures solve the fundamental and difficult calculus between technology, factors of production, institutional frameworks, and social capital. Nor does this complicated calculus allow for ill-defined and broad culturally based definitions that suggest: "most or all of North America was private property (of Native Americans) at the time of (European) contact" (Bishop 1999, p. 43).[5]

False Myth Two: Indigenous Populations Historically had a More Collective Attitude Toward Economic Issues

Similar to the myth of property rights, historical evidence points to a virtual absence of broad collective involvement of early Native Americans in economic initiatives other than in community-organized trading events and in the enforcement of certain externalities such as overgrazing.[6] In fact, with the exception of piracy and raiding, which for obvious reasons, were more of a tribal band initiative, the vast majority of Native American business enterprises were either individual or family based and, in these aspects, did not differ from the vast majority of their contemporaneous European counterparts. The Kolchan of Alaska, for example, substituted family property rights for band ownership in trapping areas as soon as the fur trade became an important economic activity and source of wealth (Hosley 1981).

However, due to specific cultural and institutional characteristics of pre-colonial Native Americans, the problem of economic organization was never adequately solved; that is, the efficient mechanisms that make the costs of business transactions competitive were not fully developed. This prevented these populations from actually finding an ideal configuration of economic institutions and, without these, the engines that fuel economic and societal development—the entrepreneurial initiatives of individuals and economic units—are curtailed.[7]

The whole body of institutional economics literature[8] argues that the basis for economic institutions must be found in those enforceable formal and informal contractual systems that ultimately make the costs of transacting within organizations competitive with market transaction costs.

Nevertheless, a structured legal system sophisticated enough to allow efficient economic organization among nonrelated members (such as employees, owners, customers, suppliers, and financiers) is not easily developed. The problem becomes even more difficult as the tradable assets become less product- or region-specific (Galbraith and Kay, 1986; Kay 1997). Without the advantages offered by these tight structural and language-related institutional mechanisms, the boundaries of the economic organization will remain limited, ill-defined, and economically inefficient. Western civilization struggled with this concept for a long time, and it was not until the early seventeenth century, when the earliest settlers landed in Jamestown, Virginia, that a crude but workable construct of Royal Charters came into common practice.

In fact, while the foundations of contractual rights were broadly understood in the United States by the early nineteenth century, the European-based economic frontier in North America still lacked a completely systematic and standardized framework for recording and enforcing property rights. In some territories, each frontier town or county had its own system, and property rights were often poorly defined at best. English, Scottish, Scandinavian, French, and Spanish legal concepts were in direct competition throughout the nation. Not surprisingly, enforcement was often at the point of a gun or at the hands of a lynch mob. Thus, the bloody Johnston County war in Wyoming, the infamous lynching of the female cattle rustler, "Cattle Kate" and, perhaps even the gunfight at the OK corral, were not so much about right and wrong, but rather represented an evolutionary process of developing a uniform and enforceable system of economic values, commerce, and property rights during the nineteenth century (Morriss 2001).

Although the economic costs of complex European-based frontier business were relatively high by modern twenty-first century standards, the contemporaneous Native American family-oriented economic organization was at an even greater disadvantage regarding transaction costs. Native Americans, lacking a universal, systematic, and standardized contractual model to organize unrelated economic stakeholders, combined with the inherent transaction costs associated with nonuniformity of language[9] and an oral-based legal tradition, simply could not act collectively as economic units in sizes much larger than the family or subclan. In some tribes, the rights over physical property such as farmland and hunting areas were even defined by ownership of songs in which the words actually defined the parameters of the rights (Laird 1976). Although the songs and, therefore, the rights could be inherited or traded within a small tribal band, a broader-based commerce in these types of assets was almost impossible. By the late nineteenth century, as the European-based economic frontier consolidated into a more uniform legal and contractual system, Native American populations simply could not compete, no matter how entrepreneurially inclined some of their members were. In essence, although there were incentives for Native Americans to internalize many of their economic transactions, the organization costs of doing so were prohibitive. On a broad global level, this historical relationship between economic development and economic and legal institutions is empirically seen to be crucial, or as Acemoglu, Johnson, and Robinson (2001, p. 1369) conclude, "it is obvious that institutions matter."

It is also well recognized that communal property inevitably results in large economic externalities, most notably, the free rider problem. Among precolonial Native Americans, in instances where there appeared to be some type of collective tribal ownership of assets, it almost always involved ceremonial buildings (Oberg 1973), a type of asset where externalities can be easily managed. And even then, individual users would pay rent for using the collective structures, similar to the system in a modern community-owned recreation center or church building. In addition, ceremonies performed by *shamans* would be negotiated and paid for (Miller 2001).

War was also a collective effort, often with economic overtones. However, without efficient economies of organization, centralized control was relatively weak, as evidenced by the competition between multiple spiritual *shamans* and war chiefs, the generally disorganized line of battle, and the fact that many tribal members would act as free riders by electing not to participate, but still benefit from a victory (Mishkin 1940; Secoy 1953).

In some cases, collective seasonal trading markets, similar to the European medieval fair or the modern farmers' market, would be established where individual entrepreneurs would work within an agreed-upon location and time frame, oftentimes under the auspices of the local spiritual institutions. One of the often studied and largest precolonial trading markets that appeared to follow this model was Chaco Canyon in New Mexico. In general, however, and contrary to the "myth," until the reservation system was fully implemented in the late nineteenth century, business enterprise and economic activity among indigenous people of North America remained almost always at the individual or small family level of organization.

False Myth Three: Indigenous People Historically Practiced a Philosophy of Environmental Protectionism and Were Less Concerned About Productive, Innovative, or Entrepreneurial Activity

The myth that somehow indigenous people were more attuned to nature and less inclined to maximize their personal or tribal wealth is one of the most persistent and perplexing legends of the modern era, and one that has obtained almost religious proportions in modern times. The introduction of a popular Native American web site, for example, attempts to argue:

> . . . the arriving Europeans seemed attuned to another world, and they appeared to be oblivious to the rhythms and spirit of nature. Nature to the Europeans—and the Indians detected this—was something of an obstacle, even an enemy. It was also a commodity: A forest was so many board feet of timber, a beaver colony so many pelts, a herd of buffalo so many robes and tongues.[10]

The economic history of precolonial indigenous people is actually far better described as a history of utilizing technology and innovation to maximize the yield from the land and other productive assets.[11] It is well documented that, throughout North America, indigenous cropland was cleared by classic cut-and-burn methods, rivers and streams were diverted and dammed for irrigation, and fishing tribes used fish wheels and other artificial devices to channel fish to shoal water for the catch (Netboy 1958). Hunting tribes burned forest undergrowth to facilitate game development and hunting access.

In Southern California, for example, where the precolonial population density was high and arable land scarce, successful agriculture inevitably involved irrigation of some sort. Carrico (1986, p. 9) argues that "Indian people . . . were actively controlling and enhancing their environment and were not the passive foragers often portrayed as 'Digger Indians'." And Margolin's (1978) apt description of the Central California bay area before the arrival of Europeans as "a deeply inhabited environment, [whose] landscape bore the cultural imprint of its people as surely as did the farmlands of Europe or New England"[12] could be equally applied to all precolonial North American people, particularly those with static population centers.

Native American people were also remarkable in their rapid adoption and consumption of modern technologies, a classic Schumpeterian requirement for successful entrepreneurship and economic development (Schumpeter 1934). The adoption of the French trap, the European gun, and the Spanish horse completely altered both the economic and institutional frameworks for many tribes (Harvey 1996). As a consequence, by the eighteenth century, some of the agricultural and gathering tribes of the Northeast started to aggressively compete with the French in the fur trade (Speck and Eisley, 1942; Leacock 1954; McManus 1972); and, by the nineteenth century, many of the seasonal gathering and herding tribes of the Great Plains evolved into the great horse-based hunting and raiding tribes (Foreman 1934; Holder 1970). However, as Anderson (1997b, p. 47) correctly points out:

> ... (environmental) shaping doesn't have to mean despoiling. Whether this shaping encouraged conservation depended, for Indians as for humans everywhere, on the incentives created by the extant system of property rights. The historical American Indians did not practice a sort of environmental communism in tune with the Earth; yesterday, as today, they recognized property rights.

Thus, when assets were considered valuable, private ownership rights became explicit and the precolonial indigenous people were careful to manage these assets, just as Europeans of the same time did. Under these circumstances, sophisticated environmental management techniques such as crop rotation and fishery releases were evident. In other words, the "externalities were internalized" (Demsetz 1967). For example, among subarctic tribes, Nelson (1973) documents extensively the efficient and responsible environmental management practices of the Kutchin under conditions of scarcity.

However, for assets that were perceived as plentiful and naturally replaceable or imitable, the behaviors of indigenous people were quite different and, in a sense, perfectly coherent with economic rationality principles. Evidence suggests that when assets such as buffalo and timber were considered plentiful and replaceable, indigenous people tended to aggressively and wastefully harvest them, possibly to extinction in some cases. Fur traders in the seventeenth and eighteenth centuries recorded how Canadian tribes slaughtered large numbers of caribou and musk ox, eating only a few tongues and leaving the rest to rot (Hearne 1969). During the eighteenth and early nineteenth centuries, the hunting tribes of the American plains organized large buffalo hunts that forced hundreds of animals over steep cliffs, but then used only a small fraction of the meat and skin from the dead (Haines 1970; Anderson

1997a). In spite of modern myths, the indigenous people of North America never viewed buffalo herds as an asset to be maintained and renewed, and by 1840, these large-scale Native American hunts had driven buffalo from significant portions of its original habitat (Baden, Stroup, and Thurman 1980). Other game would be hunted using similar means; for example, desert jackrabbits were driven into nets, often with the majority of the carcasses left rotting and wasted (Downs 1966). The severity of this problem of hunting overkills was such that some wildlife biologists and anthropologists have attributed the extinction of several species in North America to overharvesting by early precolonial indigenous people (Martin and Klein, 1984).

The "overkill" mentality of nonscarce assets also contributed to a serious free rider problem among precolonial indigenous communities. Hunters were regularly accompanied by a poor class of beggars and scavengers hoping to benefit from surplus kill. After the adoption of the horse and firearm, hunts became less of a collective effort, with individuals who hunted claiming complete ownership of the kill. And with the advent of individual buffalo hunts, free rider problems among the indigenous settlements were reduced, as tribal free rider classes turned toward the neighboring European settlements for assistance in the form of charity,[13] petty theft, and engagement in more aggressive small gang activity such as raiding isolated and poorly defended European homesteads and small Native American and Mexican farming villages.

Even among the static farming and horticulturist tribes, if land was seen as plentiful, there was little or no crop management. The indigenous farmer would typically overfarm the land until nutrients were depleted, erosion became prevalent, and yields were reduced, then simply move on to another nearby site. Similarly to what was happening in many locations in Europe about the same time, timber in some areas of North America was also overharvested for fuel and building. One of the most probable explanations for the mysterious disappearance of the cliff-dwelling Anasazi of Colorado and New Mexico during the thirteenth century was the mismanagement of timber and agricultural resources in a time of climate changes (Lekson 2002).

Anderson (1997b) reports that this tradition of indigenous overkill continues into modern times on reservation land where tribal members are not restricted by state environmental laws regarding the number or size of animals that can be hunted. Many reports have been filed by wildlife experts that document massively destructive hunting by tribal members using ATVs, motorcycles, and semiautomatic rifles to the point where, on some reservations, sport game has all but disappeared.

This is not to suggest that indigenous people were more or less environmentally destructive than other cultures, only that they tended to be influenced by the same incentives of economic scarcity or abundance and by the same entrepreneurial desire to innovate and improve. But differences in the way economically important assets were owned and managed also impacted the basic societal and entrepreneurial fabric of these tribes. The horticulturists were governed by an extreme class stratification that was unshakably rigid and that drew all wealth upward into the hands of the upper class. Labor was sedentary, and warfare was low-status, avoided by the upper class and left for the commoners, and not a guaranteed route to success (Holder 1970).

In contrast, the nomadic hunters had a leadership system that rewarded individual initiative and provided substantial status mobility for those in the lower economic strata who were willing to be entrepreneurial. Wealth acquisition was encouraged, rewarded, and pursued with aggression. There were few territorial ties, and land tenure was loose with no tradition of viewing land as a capital asset. For these tribes, privately owned assets such as horses, guns, and slaves were more mobile, had lower transaction costs, and were favored as mechanisms of wealth accumulation (Foreman 1934). For example, in early Blackfoot society the adoption of the horse led to the emergence of distinct classes, with the entrepreneurial and innovatively successful class enjoying horses, brilliantly painted *tipis*, fine clothing richly adorned with bead embroidery or quillwork, multiple wives, ownership of medicine bundles, and greater participation in religious ceremonies. Yet Blackfoot society continued to promote reminders of "equal opportunity" in ceremonial events such as staged hunts (Ewers 1969). Holder (1970), in the conclusion of his comparative study of the two basic cultures, stated that the horticulturists did not adapt because there was no personal advantage for leaders of these tribes to introduce a nomadic lifestyle.

Source of the False Myths

It is quite clear that early historians and eyewitness chroniclers suggest that when assets were scarce and valuable, most, if not all, North American indigenous peoples had a strong belief in individual property rights and

ownership. There are also indications that indigenous people had a vigorous entrepreneurial interest in maximizing the productivity of these assets, including land, through the use of available technology and societal innovation. Hodge (1910) notes that individual private ownership was "the norm" for North American tribes. Likewise, Steward (1938) asserts that among Native Americans, property held communally was limited. Similarly, Densmore (1939) concludes that the Makah tribe in the Pacific Northwest had property rights similar to Europeans. These early twentieth-century historians and anthropologists had the advantage of actually interviewing tribal members who had lived in prereservation Indian society.

By the late 1940s, however, these original and first-hand sources of information had died, and, in spite of the overwhelming historical evidence to the contrary and of their fundamental inconsistency with the economic theories of externalities, transaction costs, and property rights, these false myths and historical distortions began to take dominant shape. In particular, by the mid-1960s, the tone in many college history books, history-inspired films and novels, and even speeches within influential political circles had completely changed (Mika 1995). A typical historical distortion, for example, is found in Baldwin and Kelley's best-selling 1965 college textbook, *The Stream of American History*, where they write, "Indians had little comprehension of the value of money, the ownership of land . . . and so land sharks and grog sellers found it easy to mulct them of their property" (p. 208). These myths were further fueled by popular books such as Jacobs' (1972) *Dispossessing the American Indian*, which suggested that Native Americans felt that land (and other property) was "a gift from the gods" and as such not subject to private ownership. Not surprisingly, gradually more and more people started to honestly believe that the indigenous people of North America had been historically communal, nonproperty oriented, and romantic followers of an economic system more harmonious with nature.

Although the root causes behind this deviation from historical fact are, in and of themselves, both interesting to investigate and open to debate, it is also important to understand the meaning of this shift as it relates to the topic of modern indigenous entrepreneurship. As often seen in the popular press (Selden 2001), tribal leaders in both the United States and Canada often repeat these myths as facts when discussing business, economics, and entrepreneurship during tribal conferences and congressional hearings. Does this modernist deviation from history actually signal a fundamental change in modern Native American thought and culture, or does it simply originate from a series of misunderstandings and structural artifacts?

Anderson (1995) attributes the beginning of the myth to settlers who, when looking for farm land in the Great Plains, interacted only with the nomadic tribes that did not view land as an important asset. These settlers then mistakenly generalized the lack of interest in land assets among the nomadic tribes to infer a lack of property rights among all tribes. We argue that this fiction was further propagated in the nineteenth century by a virtual army of East Coast newspaper journalists, dime novelists, and Washington politicians, many of whom never ventured further than the cozy confines of a St. Louis hotel. Reported, retold, and unchallenged in the cities of the East Coast and in the congressional halls of Washington D.C., these incorrect perceptions of property rights and individual enterprise ended up as the basis for later laws and institutional codification. Considering that most of the contractual economic laws and property rights systems of Native American peoples were both oral and nonuniform, it was impossible at the time to accurately present a more truthful alternative to the "noble savage" stories of the East Coast newspapers.

However, although the well-documented two-way confusion regarding property rights and other cultural symbols between the local indigenous population and the European newcomers was perhaps the source of these legends (see Miller and Hamell, 1986), it is the nature of the land tenure system of the modern reservation that began to institutionalize and codify the legends, with dramatic consequences for indigenous entrepreneurship and the subsequent economic development of Native Americans.

INSTITUTIONALIZING THE MYTH: THE RESERVATION AND LAND TENURE SYSTEM

In the United States, the modern relationship between land tenure and the reservation system was formally established with the General Allotment Act of 1887, known as the Dawes Act, and later with the 1934 Indian Reorganization Act.[14] In effect, these governmental actions created two serious problems. First, they institutionalized a land tenure and property rights system that was fundamentally collective in nature, forcing a culturally alien legal system upon the indigenous populations that, in fact, carried a strong belief

in individual property rights, were highly entrepreneurial and innovative, and had little experience or interest in collective organization. Second, making naught the Native American struggles to develop an economic organization efficient enough to compete with the neighboring nineteenth-century European settlers, the reservation system actually further increased the costs of transacting within that framework and then made it into law.

Congressional actions, as well as various other judicial decisions, created in US reservations a system of four types of land tenure: fee simple (privately owned land), individual trust, tribal trust, and federal trust. Modern reservation land tenures are, for the most part, a combination of individual and tribal trust land. Land that was used individually for a homestead or for subsistence farming was typically granted as personal property and constituted individual trust land. These assets could be improved, leased, or inherited among tribal family members. Tribal trust land, however, was considered tribal land for the common good and, as such, managed by the elected tribal council.

Although individual trust lands have some characteristics of privately owned property, they are nevertheless still within the Indian trust and the rules and regulations established by the various laws. As a result, there are substantial costs associated with the form in which this important asset is held, and these costs ultimately affect the nature of entrepreneurial behavior within the reservation system. Title, for example, cannot be transferred. Hence, while individual trust land can be mortgaged, it cannot be used as collateral and the income derived from the asset, rather than the asset itself, becomes the collateral for the loan. There are also jurisdictional issues associated with loan defaults or other claims on individual trust land, and successive generations of inheritance create situations of fractional ownership of property among distantly related tribal members, which may in turn prevent reaching consensus regarding the use of the asset as collateral.

Civil and tribal litigation over much of the individual trust land is another limitation. As an increasing number of cases related to individual property rights, inheritance, and divorce are filed these assets become virtually useless as forms of collateral. Finally, considering that much of the individual trust land was originally designated for small family farming, these properties are now considered suboptimal in size for modern agricultural development. These increased transaction costs inevitably lead to a greater cost of capital being associated with these assets, thus creating inherent inefficiencies in the system and rendering real estate, usually the most important source of capital for entrepreneurial initiatives, virtually inaccessible (de Soto 2000).

Implications for Indigenous Entrepreneurship

There is abundant research to suggest that access to and liquidity of individual and family specific capital are critical to entrepreneurial activity.[15] However, at least for the North American indigenous people, the potential for accumulating family or individual specific equity capital is severely limited by the modern reservation land tenure structure. As a result, much of reservation land sits underutilized as a capital resource for individual entrepreneurs. The increased cost of capital of individual land clearly inhibits individual initiatives and shifts the focus to tribal trust land, which, by definition, is a collective process of both ownership and decision making. As a result, the second, third, and fourth generation tribal members over the last century were driven to adopt a more collective perspective in property ownership. This happened because the existing land tenure system does not allow for individual entrepreneurial options, even if those options are more attuned with the traditional notions of private ownership, individual property rights, and the innovative application of technology to enhance individual capital that were common among precolonial native populations (Miller 2001).

Another largely ignored issue has been the continuous migration of the more entrepreneurially inclined tribal members off the reservation. It is well documented that much of the migration off North American reservations occurred during the 1940s to the 1970s when small-acreage farming became nonviable and the dramatic growth of urban cities created greater employment opportunities elsewhere. In their study of entrepreneurial spin-offs from casino gaming on US reservations, Galbraith and Stiles (2003) reported that many senior tribal members indicated that the more entrepreneurial indigenous individuals and families had moved off the reservations to start businesses in the cities, while those remaining on the reservations suffered from chronic poverty, alleviated only by a collective welfare system (Robbins 2000).

Regardless of the reasons, the fact remains that there has been a dramatic evolution in the past several decades to a more collective orientation among indigenous people in the United States. However, we believe that this trend has been driven by an institutional artifact of collective land tenure systems that is counter to both the historical context and culture of the indigenous communities. Within this framework, we believe that a modern theory of indigenous entrepreneurship must lie in a combination of examining both the institutional imperatives and the cultural orientation of modern indigenous people.

The above discussion of the mythical notions of historical Native American economic culture is not simply an academic challenge to a commonly cited stream of revisionist modern history, instead, it has a deep impact on our notion of indigenous entrepreneurship and its ability to affect the economic welfare of indigenous populations. Although much of the world's economic development has been at best uneven, resulting in disparate levels of development in various societies, economic historians have begun to uncover the fundamental engines of economic development. Most economists and developmental entrepreneurship researchers examining the historical roots of sustainable economic development agree that a continually improving system of property rights and institutional frameworks is critical to economic growth.[16]

De Soto (1989, 2000) has made the forceful argument that economic development requires the establishment of institutions that protect property rights and the creation of a sophisticated legal system that allows the efficient transfer and development of these rights, as well as the ability to extract full benefit from them. To de Soto, as well as to other notable economists, commonly cited values such as trust between market exchangers reside primarily in the descriptive knowledge obtained from a system of property rights and the codification of these rights of property and market exchange through the legal system. In his discussion of the economic problems confronting the poor of South America, for example, de Soto (2000) argues that the entrepreneurial initiatives of these groups are severely restricted by their inability to access the most basic and important source of capital, i.e., their land. Due to the institutional void of nonexistent deeds and property recordings, a weak civil and contractual legal system, and the corruption of the ruling classes, this land-based capital sits unused and unproductive.

The path to economic development of the North American native populations under the reservation system was set off in a direction opposite to the traditional values of these peoples. Development became dependent upon this artificial nineteenth-century collective codification that creates not only excessively high transaction costs, but also the historical myths that further the inability of indigenous North American populations to prosper in the larger, more efficient system of broader society. Rather than the "institutional voids" found in other parts of the world (Khanna and Palepu, 1997; de Soto 2000), for North American native populations, the entrepreneurial problem is grounded in the "frozen capital" of the reservation system, a land tenure arrangement that forces a collective ownership regime upon cultures that are historically noncollective, possess well-defined property rights and personal ownership of productive assets and, as such, are highly entrepreneurial. On top of this institutionalized cultural disharmony, the collective nineteenth-century reservation system creates legal barriers, which increase both organization and transaction costs relative to modern economic institutions, thus artificially altering the efficient boundaries of Native American enterprises.

Not surprisingly, individual entrepreneurial activity among tribal members has been an abysmal failure. Galbraith and Stiles (2003), for example, investigated gaming and nongaming Native American tribes in the southwestern United States and found mean average business startups for nongaming tribes of typically less than 0.15 per 100 adult tribal members (see Table 1.1),

Table 1.1. Business Births.

(A) Mean Annual Business Births per 100 Tribal Members, 1998–2001

Southern California		*Arizona*	
Gaming Tribes	Nongaming Tribes	Gaming Tribes	Nongaming Tribes[a]
0.13	0.04	0.43	0.15

(B) Estimated Total Employment per 100 Tribal Members from Business Births, 2002

Southern California		*Arizona*	
Gaming Tribes	Nongaming Tribes	Gaming Tribes	Nongaming Tribes[a]
0.95	0.16	2.97	NA

NOTE

[a] The relatively large Tohono O'odham community of numerous Apache bands.

SOURCE: Data from interviews with nine Southern California tribal bands and four Arizona tribal bands.

a business birth rate significantly lower than most developed economies (about 0.37/ 100 adults in the United Kingdom and estimated over 1.00 in the United States) (Levie and Steele, 2000; Fraser of Allander Institute, 2001).

When examining employment from business startups, the picture is even bleaker. The vast majority of the tribal startups were microenterprises or hobby businesses, generating employment several levels below typical employment generated from business births in developed economies. This is particularly worrisome because research has indicated that a region's business birth rate is highly correlated with both job growth and economic development in that region (Ashcroft and Love, 1995).

These empirical results are completely consistent with our arguments. Due to the individual property right barriers created by the reservation system, nongaming-related entrepreneurial firms simply cannot access their individual or family specific capital, and thus need to compete at the low microlevel of entrepreneurial activity. However, gaming-related individual enterprises, which tend to be somewhat larger, are mostly protected monopolies providing inputs to a tribal-owned casino, and thus shielded from the higher organization and transactions costs associated with the reservation system.

CONCLUSION

This chapter discusses the theme of indigenous entrepreneurship by exploring the historical attitudes of Native Americans regarding property rights, collectivism, and the productive use of environmental and productive resources. Many commonly cited opinions and assumptions are, in fact, simply historical distortions or even outright myths. Indigenous people, like any population, are subject to the basic economic forces of externalities, scarcity, and transaction costs that ultimately ground notions of property rights, encourage entrepreneurial behavior and technological adoption, and define the boundaries of economic organization. Indigenous people were both highly entrepreneurial and acutely aware of the economic forces around them, but labored under a regime of high transaction costs associated with a nonuniform and nonstandardized system of laws, contracts, and language. These economic disadvantages were then institutionalized by a nineteenth-century collective land tenure system that was alien to the cultural, economic and entrepreneurial context of most indigenous tribes of North America.

Historical distortions have engendered the development of misdirected public policies that prevent indigenous populations from exploring the full potential of entrepreneurial initiatives to overcome the conditions of poverty, unemployment, and low economic growth. Indigenous populations and cultures are unique, however (Peredo et al. 2004). For them, or any cultural group for that matter, we argue that it is not only the codification of property and market rights that is important for economic and entrepreneurial development but also, in a broader sense, the codification of culture. This includes not only property and market rights, with emphasis on the right to organize into efficient institutions, but also the codification of art, music, literature, language, and intellectual know-how—those elements that we often use to define "culture." In addition, the rights emanating from this cultural codification framework must also be protected, understood, and allowed to exchange in a manner that reduces both market transaction costs and the internal costs of organizing.

In spite of the debacle of a forced collective land tenure system, within the last two decades several forces are at play that now create an opportunity, at least for some tribal communities, to engage in entrepreneurial activities that have the potential to contribute to their economic development. These opportunities have come under the form of: (a) government-sanctioned monopolies, such as casino gaming, which have created substantial income for some localized reservation economies, and (b) the environmental economies, particularly in the area of game hunting and fishing on reservations, which have resulted in large tracts of naturally preserved land, and (c) the sale of natural resources, such as minerals, timber, and oil that are best accessed and managed by large estate holdings. For tribes with access to these types of opportunities, the gains can be substantial.

Successful entrepreneurial behavior that maximizes value creation within tribal regions must also balance three competing forces: (a) the scale efficiencies inherent in the opportunities stemming from economies based upon environmental activities and natural resource management, and (b) the individual entrepreneurial need to access the "frozen capital" locked up in an anachronistic nineteenth-century collective land tenure system, and (c) the current social pressures and policies created by the historical distortions regarding indigenous attitudes toward property rights, collective economic

organization, and the productive use of environmental resources. This is the challenge taken on by this volume.

NOTES

1. See, for example, Brosnan (1996); Vinje (1996); Anderson (2002); Galbraith and Stiles (2003); Frederick and Henry (2004); Anderson and Giberson (2004); Peredo et al. (2004).
2. See, for example, Keefer and Knack (1997); Acemoglu, Robinson, Johnson (2004); World Bank (2005).
3. Under the Spanish missionary system, the local Indians technically owned all assets, and the missionaries were to stay at one location for not more than ten years, then turn the mission land, building, livestock, and other productive assets over to the indigenous community. Although this was accomplished in several Latin American countries, the missionary system in North America was never fully developed to this point (Bolton 1917; Archibald 1978).
4. See Speck (1915); Speck and Eisley (1942); Lips (1947); Leacock (1954).
5. It is interesting to note that almost all of the treatises that argue for broad and ill-defined standards of precolonial Native American property rights (Bishop 1999) usually ignore the economic issues of abandonment, how property definitions and organizational boundary solutions rapidly changed with the entrepreneurial adoption of new productive technologies, the historical role of property appropriation and enslavement through the common intertribal warfare of precolonial Native American populations, and the implicit and explicit definitions of property in the earliest land deeds and property sales between Europeans and indigenous people.
6. See Herskovits (1940); Holder (1970); Shipek (1987); Salisbury (1996); Anderson (1997a, 1997b); Rubin (1999).
7. See Schumpeter (1934); Demsetz (1967); North (1990); de Soto (1989, 2000).
8. See, for example, Williamson (1975); Teece (1982); North (1990).
9. Between 300 and 500 distinct languages were spoken by North American indigenous people (Krauss 1998; Mithun 1999).
10. Quoted from http://www.nativeamericans.com, para. 4. Cited: September 9, 2004.
11. See Huffman (1992); Anderson (1995, 1997a); Anderson and McChesney (1994, 2003).
12. Cited in Wollenberg (2002), ch. 1, para. 4.
13. There is also some evidence that the nonlanded class of the indigenous populations comprised the majority of the Catholic mission converts in the southwestern United States, because the eighteenth-century Mission communal system offered work, food, and shelter for spiritual conversion, and that the land-owning class typically resisted the more communal system (Hudson 1901). For example, Jackson and

Castillo (1996) report a disproportionately high number of young males within the Mission system.

14. Canada followed a somewhat similar process of establishing a reservation system for its indigenous people during the nineteenth and twentieth centuries.

15. See, for example, Evans and Leighton (1989); Black, De Meza, and Jeffreys (1996); Bates (1997); Burke, FitzRoy, and Nolan (2000).

16. See, fot example, De Alessi (1980); North (1990); Clague et al. (1997).