

**Tribal Economic Development Principles-at-a-Glance Series**

# Finding the Best Tribal Economic Development Strategy



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### **Finding the Best Tribal Economic Development Strategy**

*This is the fifteenth in a series of economic development primers produced by the Division of Economic Development (DED), Indian Affairs Office of Indian Energy and Economic Development (IEED), to offer answers to fundamental questions about creating jobs and expanding economies in tribal communities.*

*If you would like to discuss in more detail the best economic development pathway for your tribe, please contact the Division of Economic Development at (202) 219-0740.*

#### **How can we begin to think about finding the best economic development strategy for our tribe?**

Start by viewing a tribal community as a nation. Like any nation, a tribe should not engage in any economic development strategy that would contradict its basic viewpoints and principles. Within these boundaries, however, a tribe has many options for promoting its economic development, and tribal leaders can choose from among such options the best development strategy that makes the most money for their tribe. Once that option is identified, and the money is made, then that money can be used to purchase whatever the tribe values most.

As an example, suppose a tribe had agricultural resources that could grow either corn or potatoes, and it decided to grow corn only because more people in the community preferred corn over potatoes, though there was nothing considered fundamentally wrong with potatoes.

However, if the land and climate were such that potatoes would grow much more successfully than corn, then much more money could be made for the tribe if it grew potatoes instead of corn. With that money from potatoes, the tribe could then buy more corn (coming from farms where it was easier to grow corn) than the amount of corn the tribe would have if it had tried to grow that crop itself.

In a broader context, though, these same principles apply not simply to different types of agricultural products, but to entirely different industries. What should a tribe try to develop — tourism, agriculture, gaming, forestry, retail trade, fisheries? It all depends on what would make the most money under the tribe's particular circumstances — its natural resources, geographic location, climate, infrastructure, potential customers, as well as the education and training of its workforce, the investment capital it has to work with, the business partnerships it may have developed (or could develop), among other factors.

## **How does this choice relate to economics?**

This discussion reflects the basic economic principles of “specialization,” “comparative advantage,” and “gains from trade.” As sovereign nations, tribes should be viewed the same as are individual countries in the field of international economics, where all goods and services that the tribe produces and sells to people outside of it are the tribe’s “exports” and whatever the tribal community purchases from outside its own production activities are “imports.” The more exports the tribe sells the more money it will have for its people, which they can use to buy imports.

Countries specialize in producing and selling to other countries the types of goods and services for which they have a comparative advantage, where it is relatively easier for them to produce those goods and services than it is for the countries that buy them. By all countries specializing in those goods and services for which they have a comparative advantage, more is produced for everyone because there is more to go around, in the aggregate, before the goods and services are traded.

Indian Country has a rich history of inter-tribal trading where these benefits of specialization and gains from trade were realized by tribes long before non-Indians ever set foot in the Americas. (See, for example, Robert Miller’s book, *Reservation Capitalism: Economic Development in Indian Country*, 2013.) Specialization and the gains from trade are, indeed, universally recognized principles among all nations that have existed throughout human history.

## **What should we consider, then, in deciding what our tribe should produce?**

Planning to produce the products for which a tribe has a comparative advantage is an important part of its development strategy, especially in terms of “export promotion” — doing whatever is needed to ensure the greatest value of tribal exports. Yet, there is another important strategy besides export promotion that also comes from the study of international economics: the strategy of “import substitution.” This is the principle that a nation can try to produce goods and services on its own that it has traditionally imported from other nations, if it can produce them as efficiently. Import substitution will lead to greater internal production and, by definition, fewer imports.

When a nation buys imports, the money the nation has is fairly traded for the imports it receives, so there is nothing inherently wrong with a nation importing products – unless that nation has idle resources (especially unemployment) it could have used to produce those imports itself. In that case, the money is said to have “leaked out” of the nation’s economy when it could have otherwise been kept within that nation, thereby helping its economy.

### **Can you give an example of this “national export strategy” as it applies to tribes?**

Yes. Suppose no clothing store existed in a particular tribe’s geographic area so that all of its members living there had to purchase their clothes from retail establishments outside of it. In this case, all those clothes would be imports to the tribe and all the money spent on them would be money that “leaked” from the tribe and away from the community, never to be seen again (unless it was then used by others later on to purchase the tribe’s exports).

Now, suppose a tribal clothing store is established in the community and whose employees were formerly unemployed tribal members. Even though the store’s goods (clothes) would have to be shipped to the tribe from the manufacturer, which would still make them “wholesale” imports, those products would be much lower in cost (per unit) than they were before. When tribal members then purchase these clothes from the tribal store, they are keeping the tribe’s money inside the community and are effectively paying the salaries of those members working at the store who would otherwise be unemployed.

This is “import substitution” at its best, offering a win-win situation for the tribe by keeping the money inside the community and by providing gainful employment to tribal members.

### **So what are the final takeaways when considering a tribal economic strategy?**

Remember that both export promotion and import substitution strategies should be integrated with an *employment* strategy to give good jobs to whomever needs employment in the tribal community. Bear in mind that whatever the tribe produces will be sold in a competitive environment where consumers will rightfully focus on, and expect, the highest quality goods and services. Tribes, therefore, should not rely *entirely* on the sales pitch “buy our local product because you are helping our tribe” because most consumers (whether they are tribal members or not) usually believe in competition, and they simply want to buy the best product for themselves from whoever happens to offer that best product.

In conclusion, a tribe’s choice should be those products for which the tribe has a comparative advantage, or those products that can successfully replace the tribe’s imports. In addition, wherever it is feasible, these products should, of course, create jobs for the people in the community who are currently unemployed.

The more we think about these things, the more we realize that ultimately, *economic strategy is really pretty easy* — all it is, really, is applied common sense, and many tribes have already been quite successful at it!