

Native American Reservations: “Socialist Archipelago”

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Imagine a country that has a corrupt authoritarian government. In that country no one knows about checks and balances or an independent court system. Private property is not recognized in that country either. Neither can one buy or sell land. And businesses are reluctant to bring investments into this country. Those who have jobs usually work for the public sector. Those who don't have jobs subsist on entitlements that provide basic food. At the same time, this country sports a free health care system and free access to

education. Can you guess what country it is? It could be the former Soviet Union, Cuba, or any other socialist country of the past.

Yet, I want to assure you that such a country exists right here in the United States. And its name is Indian Country. Indian Country is a generic metaphor that writers and scholars use to refer to the archipelago of 310 Native American reservations, which occupy 2 percent of the U.S. soil. Scattered all over the United States, these sheltered land enclaves are held in trust by the federal government. So legally, many of these land enclaves are a federal property. So there you cannot freely buy and sell land or use it as collateral. On top of this, since the Indian tribes are wards of the federal government, one cannot sue them for breach of contract. Indian reservations are communally used by Indian groups and subsidized by the BIA (the Bureau of Indian Affairs, Department of the Interior) with a current annual budget of about \$3 billion dollars. Besides being a major financial resource that sustains the reservation system, BIA's goal is also to safeguard indigenous communities, or, in other words, to make sure that they would never fail when dealing with the “outside” society. People in the government and many Native American leaders naively believe that it is good for the well-being of the Indians to be segregated and sheltered from the rest of American society.

This peculiar trust status of Indian Country, where private property rights are insecure, scares away businesses and investors.¹ They consider these forbidden grounds high risk areas. So, in Indian Country, we have an extreme case of what Robert Higgs famously labeled “regime uncertainty” that retards economic development.² In fact, this “regime uncertainty” borders on socialism. James Watt, Secretary of the Interior in the first Reagan administration, was the first to publicly state this. In 1983, he said (and then dearly paid for this), “If you want an example of the failure of socialism, don't go to Russia, come to America and go to the Indian reservations.”³



In the 1990s, I had a chance to travel through several reservations. Each time when I crossed their borders I was stunned by the contrast between the human landscapes outside and those within Indian reservations. As soon as I found myself within a reservation, I frequently had a taste of a world that, in appearance, reminded me of the countryside in Russia, my former homeland: the same bumpy and poorly maintained roads, worn-out shacks, rotting fences, furniture, and car carcasses, the same grim suspicious looks directed at an intruder, and frequently intoxicated individuals hanging around. So I guess my assessment of the reservation system will be a biased view from a former Soviet citizen who feels that he enters his past when crossing into Native America.

I am going to make a brief excursion into the intellectual sources of this “socialist archipelago.” Since the 1960s, the whole theme of Native America had been hijacked by Marxist scholarship and by so-called identity studies, which shaped a mainstream perception that you should treat Native Americans not as individuals but as a collection of cultural groups, eternal victims of capitalist oppression. I want to challenge this view and address this topic from a standpoint of methodological individualism. In my view, the enduring poverty on reservations is an effect of the “heavy blanket” of collectivism and state paternalism. Endorsed by the federal government in the 1930s, collectivism and state paternalism were eventually internalized by both local Native American elites and by federal bureaucrats who administer the Indians. The historical outcome of this situation was the emergence of “culture of poverty” that looks down on individual enterprise and private property. Moreover, such an attitude is frequently glorified as some ancient Indian wisdom — a life-style that is morally superior to the so-called Euro-American tradition.

Before we proceed, I will give you some statistics. Native Americans receive more federal subsidies than anybody else in the United States. This includes subsidized housing, health, education, and direct food aid. Yet, despite the uninterrupted flow of federal funds, they are the poorest group in the country.

The poverty level on many reservations ranges between 38 and 63 percent (up to 82 percent on some reservations),⁴ and half of all the jobs are usually in the public sector.⁵ This is before the crisis of 2008! You don't have to have a Ph.D. in economics to figure out that one of the major sources of this situation is a systemic failure of the federal Indian policies.

These policies were set in motion during the New Deal by John Collier, a Columbia-educated social worker, community organizer, and utopian dreamer who was in charge of the Native American administration during FDR's entire administration. English Fabian socialism, the anarchism of Peter Kropotkin, communal village reforms conducted by the Mexican socialist government, and the romantic vision of Indian cultures were the chief sources of his intellectual inspiration. Collier dreamed about building up what he called Red Atlantis, an idyllic Native American commonwealth that would bring together modernization and tribal collectivism. He expected that this experiment in collective living would not only benefit the Native Americans but would also become a social laboratory for the rest of the world. The backbone of his experiment was setting up so-called tribal governments on reservations, which received the status of public corporations. Collier envisioned them as Indian autonomies that would distribute funds, sponsor public works, and set up cooperatives. In reality, financed by the BIA, these local governments began to act as local extensions of its bureaucracy.

It is interesting that these so-called native autonomies received peculiar jack-of-all-trades functions: legislative, executive, judicial and economic — a practice that is totally unfamiliar in America. For example, in the rest of the United States, municipalities and counties do not own restaurants, resorts, motels, casinos, and factories. In Indian Country, by contrast, it became standard practice since the New Deal. By their status, these tribal governments are more interested in distributing jobs and funds than in making a profit. As a result, many enterprises set up on reservations have been subsidized by the government for decades. Under normal circumstances, these ventures would have gone bankrupt. This system that was set up in the 1930s represents a financial "black hole" that sucks in and wastes tremendous resources in the name of Native American sovereignty. This situation resembles the negative effect of foreign aid on Third-World regimes that similarly use the tribalism and national sovereignty excuse as a license to practice corruption, nepotism, and authoritarian rule.

My major argument is that Collier's utopian project (restoration of tribal collectivism) was not a strange out-of-touch-with-reality scheme but rather a natural offshoot of the social engineering mindset of New Dealers. Moreover, the Indian New Deal was a manifestation of standard policy solutions popular among policy makers in the 1930s, both in Europe and North America. These solutions were driven by three key concepts: state, science, and collectivism. Recent insightful research done by German-American historian Wolfgang Schivelbusch into the economics and cultures of three "new deals" (National Socialist Germany, Mussolini's Italy, and FDR's United States) shows that in the interwar period, governments in these three countries (and in other countries, too) pursued extensive state-sponsored modernization. But, simultaneously, to better mobilize their populations and ease the pressure of modernization on the people, they cultivated a sense of community, the organic unity with land and folk cultures.⁶



For example, in 1930s Germany, along with the grand autobahn building project and genetic experimentation, there existed a strong back-to-land movement and attempts to revive Nordic paganism. In the United States, in addition to the National Recovery Administration, Tennessee Valley Authority and similar giant projects, there flourished the community-binding Civilian Conservation Corps (CCC), the Federal Art Project that produced “heroic” community murals as well as thousands of craft items for civic, state, and federal organizations. Furthermore, as “one of the noblest and most absurd undertakings ever attempted by a state” (W. H. Auden), Federal Writers’ Project (also part of WPA) employed thousands of intellectuals who were directed to collect regional folklore and ethnographies, and promote the heritage of local communities. Last but not least, there were projects like the Arthurdale settlement (West Virginia) — a federally sponsored scheme to place unemployed industrial workers on land and mold them into new wholesome American citizens.⁷ Even Stalin’s Soviet Union, which was going wild with its aggressive modernization and industrialization, somewhat muted the cosmopolitan message of Communism and became more “organic” in the 1930s, trying to root itself in Russian history, mythology, and folklore — pursuits that became known as National Bolshevism.⁸

Another common sentiment shared by social engineers from California to the Ural Mountains was an unconditional faith in science. We can call it science worship. At that time, policy makers assumed that by using science and expert-scholars government could plan and engineer a perfectly ordered crisis-proof society. F. A. Hayek was the first to draw attention to this aspect of modernity in his seminal book *The Counter-Revolution of Science* (1955).⁹

The Indian New Deal fits perfectly into those policy trends. In fact, as early as 1928, federal bureaucrats began suggesting that the Indians be organized as public corporations — a fancy innovation that they copied from Europe. Collier, a middle-level New Deal bureaucrat, personified sentiments of modernism I mentioned above. On one hand, he praised Indian tribalism that would help not only the Native Americans but would also help anchor Americans in land and nourish a sense of community among them. Yet, on the other hand, like a mantra, Collier repeated that only a scientific approach would resolve the problems communities faced in the modern world. A recurrent message throughout his essays and articles is a demand that

Indian communities be used as laboratories for sociological experimentation. In one of his speeches — which by the way is labeled “United States Administration as a Laboratory of Ethnic Relations” — Collier gave himself an unrestricted political license to experiment with Indian Country. In this speech, he stressed that if a government tried to impose something on an ethnic group it would be harmful. Yet, if government intervention was backed up by science and supplemented by generous financial injections to local communities, then the interference would be very benign.¹⁰

Where did Collier get his “scientific” ideas about segregating Native Americans into cultural groups? The answer is simple: from contemporary anthropological scholarship. At that time, American anthropologists were very much preoccupied with traditional culture. They were on a mission to retrieve ethnographically authentic Indian customs and artifacts. Driven by this romantic notion, anthropologists downplayed the heavy influence of Euro-Americans and African-Americans on indigenous communities. As a result, they totally ignored such segments of Indian population as cowboys, iron, cannery and agricultural workers, and individual farmers. They considered them non-Indian and non-traditional. So, before Collier emerged on the scene in 1933, American anthropology had already invented its own Red Atlantis by classifying the Indians into tribes and relegating them into particular cultural areas.

Pressured by the federal government and lured by an offer of easy credit, a majority of Indians approved of Collier’s plan to restore “tribes” and organized themselves into public corporations. Still, a large minority — more than 30 percent of the Indians — rejected the Indian New Deal. Many of them informed Collier that, in fact, although they were Indians, they had nothing against private property and did not want to be segregated from the rest of Americans into tribes under federal supervision. They stressed that they could not stomach his communism and socialism, and wanted instead to be treated as individuals. Collier was very much surprised and angered by these dissidents, who organized themselves and founded the American Indian Federation (AIF) to oppose him. In a bizarre motion, he dismissed them as fake Indians. To him, the true Indian was expected to be a spiritually-charged die-hard collectivist. Historian Graham Taylor, who explored in detail Collier’s attempts to railroad tribalism in Indian Country, stressed, “His basic orientation was toward groups and communities, not individuals, as building blocks of society.”¹¹ Later, Collier even resorted to nasty tricks labeling his Indian opponents as Nazi collaborators, and had one of them investigated by the FBI. Eventually, government squashed AIF as part of a larger FDR effort to use the FBI to phase out the “right-wing fifth column” elements in the United States.¹² D. H. Lawrence, the famous British novelist, who rubbed shoulders with Collier as early as 1920, had a chance to personally observe his aggressive zeal on behalf of Indian culture. This British writer prophetically noted that Collier would destroy the Indians by setting “the claws of his own white egoistic benevolent volition into them.”¹³

To those dissident Native Americans who repeatedly challenged him about going tribal, Collier explained that their individualism was obsolete. In his view, state-sponsored tribalism was modern and progressive. In his address given before the Haskell Institute, Collier instructed students to cast aside “shallow and unsophisticated individualism.” He warned the Indian youngsters that this useless trait of dominant culture would not be “the views of the modern white world in the years to come.” Instead, he called on the new Indian generation to come help “the tribe, the nation, and the race.” He invited them to step into a radiant future that included

such “necessities of modern life” as municipal rule, public ownership, cooperatives, and corporations.¹⁴



The system set up by Collier is still in place and functioning. What are its future prospects? As I mentioned, the Indian “socialist archipelago” is relatively modest in its size. It occupies only 2 percent of U.S. soil and shelters only 22 percent of 5 million Indians now living in the United States. Unlike bailing out such bankrupt states as California, New York, and Illinois, socializing subsidies to Indian Country is not too painful for a huge American budget. So, potentially, this “socialist archipelago” can exist forever as long as American taxpayers are ready to put up with its peculiar status, and unless, of course, American welfare capitalism goes down under the burden of its numerous entitlement obligations. So far, protected by the shield of trust status and guaranteed financial injections, Indian Country is in pretty “good shape,” unlike, for example, some current Third-World autocracies that are not always sure if Western aid will continue to flow. All in all, like the Social Security scheme, farmers’ subsidies, and many other “wonderful” products of the New Deal alchemical lab, Red Atlantis is still with us alive and well.



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14. Kenneth Philp, *John Collier's Crusade for Indian Reform, 1920-54* (Tucson: University of Arizona Press, 1977), p. 161.

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