



What Can We Learn from Native Americans About a Universal Basic Income?

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Elizabeth Morris knows that her late husband Roland was not a particularly good father or husband the first time he was married. He was a member of the Minnesota Chippewa Nation, and he had deep regrets about the time when he was living on the reservation. She doesn't want to make excuses for him, but she says: "It didn't matter if he took off for three months on a binge. They had HUD housing, they had food stamps, fuel assistance, tribal health care. He wasn't needed. If he thought his family wouldn't have had food, he would have behaved differently. A man does need to feel needed. But the government took care of all that."

Most Indians living on reservations are living in dire poverty—American Indians are the poorest racial or ethnic group in America—but they are also receiving steady payments and other forms of assistance from the federal government. As these payments have increased, the situation on reservations has continued to deteriorate—rates of suicide, violent crime, alcoholism, and sexual abuse have all climbed in recent decades.

There are those on the left who would argue that the problem is that American Indians are not getting enough assistance from the government: Indians are poor because we took their land and have not fulfilled our obligations to take care of them in return. But the truth is that money, per se, is not the problem.

According to a report from the Cato Institute, federal funding for the Bureau of Indian Affairs' various programs—which support education, economic development, tribal courts, road maintenance, agriculture, and social services—was almost \$3 billion in 2012. About \$850 million of this goes to the Bureau of Indian Education (BIE) to provide for its 42,000 students, although most children on reservations don't attend BIE schools. This amounts to about \$20,000 per pupil, compared to a national average of nearly \$12,300. Indian Health Service had a 2015 budget of over \$4.6 billion. And HUD's Native American Housing Block Grant Program had a 2015 budget of \$650 million.

In recent years, many on the right, including Charles Murray, have glommed onto the idea that the problem with payments from the federal government to poor Americans is not that they are

too large but that they are too restrictive. This has led them to the idea of a Universal Basic Income as a substitute for the welfare state.

Writing for Cato's website, [Matt Zwolinski](#) notes that a Basic Income Guarantee would be "a *cash grant* with no strings attached. Unlike other welfare programs which encourage or require recipients to consume certain specific kinds of good —such as medical care, housing, or food—a BIG simply gives people cash, and leaves them free to spend it, or save it, in whatever way they choose."

Obviously, the fact that the government is not only choosing to give people money but also choosing the way people will spend that money is a problem. And if you spend any time on reservations, you will find that the bureaucracy and regulations start to simply overwhelm you. As I explain in my book, *The New Trail of Tears*, much of this stems from the fact that reservation land is held in trust by the federal government, which means that Indians cannot buy homes, take out loans, start businesses, sell property or do a variety of other things the way most Americans can. They need a bureaucrat's permission to perform the simplest economic transactions.

But there are Indian communities that do provide something like a Basic Income Guarantee: Reservations and territories that have successful casinos distribute a share of the profits in the form of annuities.

The Seneca Nation has made well over \$1 billion in profits from its gambling facilities, according to interviews I conducted with its leaders. And during the past decade, that largesse has begun to trickle in ever-larger amounts into the hands of the Seneca people. The current annuity for an adult between the ages of 18 and 60 on the reservation is about \$8,000, disbursed in quarterly payments. Elders get a larger amount, in a kind of American Indian social security program. Half the money for children under 18 is given to their parents, and the other half is put into a trust. When a Seneca youth turns 18 and can show that he or she has graduated from high school or earned a GED, he or she receives a lump sum of \$30,000. Those who don't get a high-school degree have to wait until they're 21 to receive the money. With each passing year, the annuities get larger, because the tribe invests its earnings.

Government officials and other members of the nation tell me that the best thing most young adults do with this money is to buy a new truck. These are kids who have never had very much before; so when someone hands them a huge check, they clearly don't know what to do. Store owners report that young people will come in to buy candy, handing \$50 or \$100 without expecting any change. These young people seem to have no concept of saving or investing. They're not unlike lottery winners, who tend to be no better a few years after hitting the jackpot than they were before.

But even after this initial large payment, the money in these annuities is almost never saved for education. Despite a vast apparatus to help Seneca members set up businesses, almost no one starts one. Unless people are employed by the tribe (either through the casino or in tribal government), they are largely unemployed. Theft is also a problem. One official told me that they have had reports of elder abuse where children and grandchildren were stealing payments from older members of the tribe.

The results of all this can be seen in the poverty rates for the Senecas, which have continued to rise. Their territory is divided into two reservations. As of 2011, the Allegany reservation poverty rate was 33.3 percent and the Cattaraugus reservation poverty rate was 64.9 percent, the highest in Cattaraugus County. During the first decade that the casino was operating, the poverty rate in Cattaraugus County, which includes part of the Seneca Territory, increased from 12.8 in 2000 to 18.7 in 2011.

Writing about the concept of a Universal Basic Income last year, Thomas Sowell summed up the situation: “The track record of divorcing personal rewards from personal contributions hardly justifies more of the same, even when it is in a more sophisticated form. Sophisticated social disaster is still disaster—and we already have too much of that.”

Indian reservations are just another example.