

# THE AMERICAN MIDDLE CLASS



## AN ECONOMIC ENCYCLOPEDIA OF PROGRESS AND POVERTY

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## Portraits

### THE AMERICAN INDIAN MIDDLE CLASS

The creation of a American Indian middle class stemmed largely from a focused and determined federal policy to “[k]ill the Indian[,] and save the man” (Wolfe 2006, 387, 397). This policy emerged in the late 1800s with the proliferation of congressional attempts “to keep order in Indian country,” and to otherwise legislate Indian affairs for the “national interest.” The “national interest,” of course, was to “encourage Indian assimilation into the white system of private property ownership” (*Yankton Sioux Tribe v. Podhradsky* 2010, 999).

In 1887, Congress passed the General Allotment (Dawes) Act (24 Stat. 388 (1887) 25 U.S.C.), which allowed the federal executive branch to carve up Indian reservations into personally assigned allotments for distribution to individual Indians. In turn, the government purchased “surplus land” and opened surplus areas to white settlers (Deloria, 38 Ariz. L. Rev. 1996, 963, 978). The magic of private property ownership was supposed to drive Indians to adopt the “habits of civilized life” and in turn, toward the progressive individualism of the American dream (*United States v. Park Land Co.*, 188 F. 383, 384 (D. Minn. 1911). “Within a generation or two, it was thought, the tribes would dissolve, their reservations would disappear, and individual Indians would be absorbed into the larger community of white settlers” (*South Dakota v. Yankton Sioux Tribe*, 522 U.S. 329, 335 (1998)).

The Urban Indian Relocation Program also furthered the assimilationist agenda (Iverson 2013, 561, 573). In 1940, 92 percent of the Indian population lived beyond metropolitan areas (Harstad 2013), earning over four times less than non-Indian suburbanites (Native American Public Telecommunications 2014). Then, in 1952, the federal government declared its policy of Indian relocation, enticing reservation Indians to seven major cities where jobs were supposedly plentiful (*Id.*). Today, 64 percent of all Indians live outside of Indian country (Norris et al. 2012). Although the consensus is still out on whether these relocation programs worked, a gap emerged between those Indians who absorbed into the American middle class, and those who refused to assimilate. The 1928 Meriam Report, for example, found that while some “relocated” Indians lived in “cheaply furnished rooming houses with rents comparatively high” and conditions “below a reasonable standard of living,” the more “well-established” Indians were “rather attractively housed . . . in the less expensive suburbs” (Meriam 1928, 729).

World War II also played a role in the creation of the Indian middle class. American Indians served in the war in great numbers (Morgan 1995, 35). In national celebration



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of Indians' war contributions and sacrifices (60 Ohio St. L.J. 1999, 901, 904), the United States declared "a new sense of capacity of Indian people and of American obligations to them" (Berger 2011, 1463, 1473). The government recognized Native American languages as having particular value during World War II, when Navajo and other Native American "code talkers," utilizing their native languages in military communications, played an important role in the war effort. The federal government, claiming that "equality for American Indians depended on freeing them from federal supervision," thus set out to secure "the progress of the Indian toward the goal [that] is rightfully his—to take his place in the white man's community on the white man's level and with the white man's opportunity and security status (Berger 2011, citing H.R. Rep. No. 78-2091 1944 at 2). Federal termination policy ensued.

Although federal termination policy was later reversed, termination and early assimilation policies widened the gap between those "urban" Indians who settled into the American middle class, and those "rural" Indians who continued to live amid then fledgling tribal economies. Both ways had their downside. While the move to suburbia came at the expense of 38 percent higher rates of accidental deaths, 54 percent higher rates of diabetes, and 126 percent higher rates of liver disease and cirrhosis (National Urban Indian Family Coalition 2008), the poverty and unemployment rate on Indian reservations remained the worst in the nation, with 80 percent living below the poverty line and unemployment rates as high as 80 percent (Nixon 1970).

By the late 1960s, federal policy makers finally realized that Indian people and politics were not going away. Informed by federal "Indian self-determination" policy (Cornell & Kalt 2010) in the 1970s, Congress began enacting a slew of programs and laws committed to involving Indians in the development and implementation of reservation programs and services. As a result, the economic development of Indian country finally commenced in earnest. The "distinct legal and economic market opportunities" derived from the "sovereign status of tribes," as described by Dr. Joseph Kalt (Economic Development on Indian Reservations 1996), has since played the largest role in evolving the American Indian middle class vis-à-vis a reservation-based or tribal middle class.

Indian self-determination, in practice, began with the reclamation of tribal resources. Although tribal peoples fished commercially for centuries, the practice fell victim to the "no special treatment" adage of the assimilation era (Bogen 2006). Then, in 1968, under the tribal threats of treaty enforcement litigation, Oregon and Washington reestablished an Indian-only commercial fishery on the Columbia River (Columbia River Inter-Tribal Fish Commission 2014). Likewise, after decades of timber harvesting stymied by federal control and red tape, in the 1970s tribes themselves began to reap the economic benefits of high-yield timber harvesting (Hill & Arnett 1995). The Indian commercial fisherman and logger emerged, earning enough money to no longer have their families live hand-to-mouth, and, in some instances, to live quite comfortably.

As the 1970s progressed, tribes and tribal members began to leverage tribal sovereign status to create market opportunities in high-stakes bingo and retail tobacco

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and fireworks sales. The absence of state regulatory or taxation authority over such on-reservation markets was (and remains) the lynchpin to their success. Like tribal commercial fisherman and loggers, Indian gaming, tobacco, and fireworks entrepreneurs began earning sufficient income for their families to join the growing on-reservation tribal middle class. In the process, the tribal private sector, comprised of individual Indian- and tribal family-owned businesses, emerged.

In reaction to such Indian success, in 1980, the U.S. Supreme Court handed down the *Colville* decision (*Washington v. Confederated Tribes of the Colville Indian Reservation* 1980). In an economically racist opinion, the Court proclaimed that unless tobacco products derived from “value generated on the reservation” by activities involving Indians, states could tax the sale of those goods (Id. 156–57). After *Colville*, tribal “value generated” economies emerged—hundreds of millions of dollars over—most notably in the form of Indian-produced tobacco products (*Freedom Holdings, Inc. v. Spitzer* 2004). Those economies sustain the tribal middle class to this day.

By the late 1980s, a Reagan Commission on Indian Reservation Economies found that federal procurement policy obstructed Indian-owned businesses from obtaining federal contracts being fulfilled on their own reservations (Native American Contractor's Association 2014). Changes to federal law ensued, exempting tribal corporations from “once in a lifetime” affiliation rules and caps on sole-source contracts. In the 1990s, tribal and Alaska Native businesses began venturing into the lucrative realm of federal “8(a) contracting” for construction, manufacturing, engineering, electronics, technology, and other services (Id.). In turn, Indian corporate executives emerged, joining the insurgent tribal middle class.

Then of course there was, and is, Indian gaming. What began with high-stakes bingo on various reservations in the 1970s has since the passage of the federal Indian Gaming Regulatory Act in 1988 (25 U.S.C. 2701 et seq.) blossomed into a now steady \$28 billion industry (Press Release, National Indian Gaming Commission 2014). Although Indian gaming has most certainly catapulted thousands of reservation Indian families out of poverty and into much higher income brackets, the new money of Indian gaming per capita distributions has created a unique, unemployed segment of the tribal middle class. Ho-Chunk, Inc., CEO Lance Morgan has indicted those distributions as a “new form of welfare [that] is just the latest in a cycle of dependency that Indian Country has been trying to break out of for the last 100 years” (Cornell et al. 2007).

That new money has also catalyzed the ejection of tribal members en masse through what is called tribal disenrollment, a process of terminating members' citizenship with their tribal government. The Ninth Circuit Court of Appeals recently took occasion to remark about what is in essence tribal self-termination: “membership disputes have been proliferating in recent years, largely driven by the advent of Indian gaming, the revenues from which are distributed among tribal members (*Alto v. Black* 2013, 1111, 1116 n.2). In what has been described as a disenrollment epidemic, tens of thousands of Indians—in 17 states and from over 60 tribes—have been jettisoned in recent years, relegating some of them into the lower class,

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if not abject poverty, and otherwise leaving them “culturally homeless” (Wilkins 2014). Disenrollment has, thus, uniquely caused socioeconomic stratification with tribes (Galanda 2015).

Meanwhile, those Indians who remain tribal members and still receive gaming per capita monies may not have made the definitional “sacrifices to create a better life for themselves” (Parker 2009), but they nonetheless comprise part of the tribal middle class.

Empirically, between the 1990 and 2000 censuses, reservation Indian income levels rose by 33 percent and the poverty rate dropped by 7 percent, with little difference shown between those tribal governments with gaming operations and those without gaming (Taylor 2007). Tribal data from the 2010 census no doubt correlates to the \$11 billion to \$26 billion growth in Indian gaming from 2000 to 2010, and show even more dramatic income gains in Indian country during the first decade of this 21st century (Norris et al. 2012, *supra* note 11). As Indian self-determination has firmly taken hold, so too has a tribal middle class.

*See also:* The Asian American Middle Class; The Black Middle Class; The Critical Role of Race in Defining the Middle Class; Environmental Crime: The Case of the Navajo; The Hispanic Middle Class; Immigration and the Middle Class; The LGBT Middle Class; The Origins of the Middle Class; The Rise of a New Black Middle Class; What Is Middle Class in America? Examining Income and Occupation; The White Middle Class

#### Further Reading

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In the media, Asian Americans are often portrayed as a model minority. They demonstrate higher educational attainment than all other racial groups, including whites. They also have higher average earnings and fewer behavioral problems (Sakamoto, Goyette, & Kim 2009). Asian Americans are the only racial minority in the United States for which the majority is middle/upper class. No other racial minority has ever achieved similar socioeconomic status. However, Asian Americans are a collection of diverse ethnic groups, and these groups vary substantially in socioeconomic status. Whereas the majority of Chinese, Japanese, Korean, Filipino, and Indian Americans enjoy a middle- or upper-class life, Southeast Asian Americans such as Vietnamese, Cambodian, Hmong, and Laotians suffer from a low standard of living.

The middle class is defined as a socioeconomic group that falls between working class and upper class. According to Weber (1922), a class is a group whose members share similar market situations and life chances. In this essay, “middle class” refers to those whose standard of living is equal to or higher than, but lower than the 95th percentile of, the national median for equivalent income. Equivalent income is computed as family income divided by the square root of family size. It reflects the consumption level of each individual. For example, an income of \$30,000 for a one-person household is equivalent to an income of \$60,000 for a family of four. Equivalent income is commonly used as a measure of standard of living by international organizations such as the Organization for Economic Co-operation and Development (OECD). See Table 1 for comparative socioeconomic attainment of Asian Americans and other racial groups in the United States.

By this measure, two-thirds of Asian Americans belong to the middle or upper class, a slightly higher percentage than for whites. Around half the U.S. population belongs to the middle or upper class. (Since 1972, the General Social Survey [GSS] has asked Americans to identify their social class. Americans classify themselves as upper class, middle class, working class, or lower class. The proportion of middle-class Americans has been remarkably stable over the last four decades. A small proportion of Americans identifies itself as upper class and around 40 percent of Americans think of themselves as middle class. The remaining half believes it is working class or lower class. Thus, the distribution of self-identified classes in GSS is similar to that computed here based on equivalent income.) Extraordinary educational achievement is the main reason why Asian Americans are ahead of whites. More than a third of Asian Americans earn a bachelor's degree or higher. If we limit the survey to the prime-age working population (i.e., ages 25–54), a whopping