

FUNDAÇÃO GETULIO VARGAS
ESCOLA BRASILEIRA DE ADMINISTRAÇÃO PÚBLICA E DE EMPRESAS
MESTRADO EXECUTIVO EM GESTÃO EMPRESARIAL

**AN EXPLORATORY STUDY ON HOW TO IMPROVE THE ECONOMY
OF AMERICAN SAMOA**

DISSERTAÇÃO APRESENTADA À ESCOLA BRASILEIRA DE ADMINISTRAÇÃO
PÚBLICA E DE EMPRESAS PARA OBTENÇÃO DO GRAU DE MESTRE

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Rio de Janeiro, 2014

Toma, Johnny Victor

An exploratory study on how to improve the economy of American Samoa / Johnny Victor Toma. – 2014.

177 f.

Dissertação (mestrado) - Escola Brasileira de Administração Pública e de Empresas, Centro de Formação Acadêmica e Pesquisa.

Orientadora: Carmen Pires Migueles.

Inclui bibliografia.

1. Samoa, Ilhas – Condições econômicas. 2. Política econômica. 3.

Investimentos estrangeiros. I. Migueles, Carmen Pires. II. Escola Brasileira de Administração Pública e de Empresas. Centro de Formação Acadêmica e

Pesquisa.

III. Título.

CDD –

338.9

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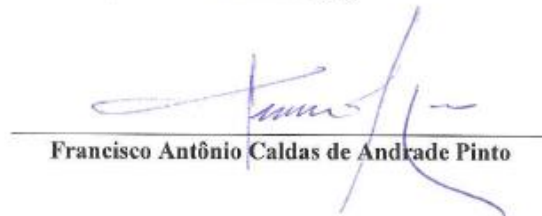
Dissertação apresentada ao Curso de Mestrado Profissional Executivo em Gestão Empresarial da Escola Brasileira de Administração Pública e de Empresas para obtenção do grau de Mestre em Administração.

Data da defesa: 29/10/2014.

ASSINATURA DOS MEMBROS DA BANCA EXAMINADORA

A handwritten signature in blue ink, appearing to read 'Carmen Pires Migueles', is written over a horizontal line.

Carmen Pires Migueles
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A handwritten signature in blue ink, appearing to read 'Francisco Antônio Caldas de Andrade Pinto', is written over a horizontal line.

Francisco Antônio Caldas de Andrade Pinto

A handwritten signature in blue ink, appearing to read 'Marta Cardoso de Lima Costa Regó', is written over a horizontal line. To the right of the signature, the words 'ver parecer em anexo' are handwritten in blue ink.

Marta Cardoso de Lima Costa Regó *ver parecer em anexo*

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1. INTRODUCTION

Deep in the South Pacific region about 2,300 miles southwest of the Hawaiian islands¹ lies a United States territory that many Americans have never heard of nor known anything about. However, some famous Americans such as Troy Polamalu of the Pittsburgh Steelers, semi retired professional wrestler Dwayne “The Rock” Johnson, and Hawaii Congresswoman Tulsi Gabbard have genealogical roots there. More importantly, many of the Territory’s sons and daughters have served and lost their lives for the United States flag and the cause of freedom around the world. This place is called American Samoa, a collection of seven islands that if glued together would have a total landmass of approximately 76 square miles, just a tad bigger than the capital city of the United States. According to the United States Census Bureau, there were 55,519 residents of American Samoa in 2010.¹ The majority of them are ethnic Samoans, a Polynesian sect that traces its history back to early migrants from Southeast Asia who settled the islands around 1500 B.C.^{2 3}

The climate is warm all year long and the forests along the mountains are ripe with vegetation. The main island is Tutuila with its beautiful and coveted landlocked harbor that was used as a coaling station by the United States naval ships during World War II. In fact, it was the Pago Pago Harbor that diminished the impact of the 2009 Tsunami that devastated the Samoan islands by channeling the waters of the Pacific Ocean towards the end of the harbor instead of flooding many other villages surrounding the Pago Pago Bay area. Lives and property were destroyed near the end of the Harbor but it could have been worse for the entire Bay area. Locally grown foods include coconut, taro, banana, guava, sugar cane, papaya, yam, pineapple, and breadfruit. It is completely surrounded by the Pacific Ocean from which the locals obtain a variety of seafood. There is a popular saying in Samoa that goes, “In Samoa, it is impossible to starve

¹ American Samoa Department of Commerce, *2012 Statistical Yearbook*, <http://www.doc.as/wpcontent/uploads/2011/06/2012-Statistical-Yearbook-1.pdf>

² U.S. Census Bureau News, *U.S. Census Bureau Releases 2010 Census Population Counts for American Samoa*, <http://www.census.gov/2010census/news/releases/operations/cb11-cn177.html> (Aug. 24, 2011).³

³ J. Robert Shaffer, *American Samoa: 100 Years Under the United States Flag* (Honolulu, Hawaii: Island Heritage Publishing, 2000), 34.

because people live off of the land's and the ocean's abundant resources.”

To the west of American Samoa lies a larger group of four islands that make up the Sovereign State of Samoa, which became independent from New Zealand in 1962. Samoa and American Samoa share the same language, culture, and religion but are divided by government and political systems. The focus of this study will be on American Samoa, which became a United States territory in 1900 when the principal chiefs of Tutuila (the largest island in American Samoa) ceded the islands to the United States.

Despite its long and “privileged” history as part of the United States family, the economy of American Samoa seriously lags behind the rest of the country and many of her residents live in third world conditions with an estimated unemployment rate of 33%⁴ after Chicken of the Sea closed its operations in September 2009. Before that time, half of its workforce was in the public sector and the other half was employed by the private sector. The following statistics show the general population's demographics, education, and earnings levels based on the 2010 Census:⁵

Gender:

Male 50.7%

Female 49.3%

Age:

15–19 11.3%

20–34 19.3%

35–44 13%

45–54 10.9%

55–59 3.7%

60+ 6.8%

Academic Achievement:

⁴ U.S. Department of Labor, *American Samoa National Emergency Grant: Workforce Development Plan Draft*, March 30, 2011. http://americansamoarenewal.org/sites/default/files/resource_documents/Am%20Sam%20Disaster%20NEG%20WFD%20Plan.pdf

⁵ U.S. Census Bureau, *2010 American Samoa Demographic Profile* <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>

Bachelors and Higher 9.9%
 Associates Degree 8.6%
 Some College 15.3%
 HS Diploma/GED 48.3%
 Non-HS Graduates 18%

Median Earnings:

Male full-time, year round \$11,621 (\$5.70/hr based on 2,040 hrs/yr)
 Female full-time, year round \$12,061 (\$5.91/hr based on 2,040 hrs/yr)

Many people barely make ends meet because they not only have to pay for their personal expenses and utilities, they are also financially obligated to their family chiefs (landlords), extended families, village, and church affiliations. Others have left the Territory to seek economic opportunities in Hawaii and the continental United States. Furthermore, the local government's attempts to develop a larger and broader economy are seriously limited by Samoa's remote location, its limited transportation avenues, and its devastating hurricane seasons among other factors.

A 2008 study prepared by Malcolm D. McPhee & Associates and funded by a grant from the U.S. Department of Interior showed the following advantages and disadvantages for potential foreign direct investment in American Samoa. Due to the lack of local research firms, this federally funded study is priceless and the insight it provides is invaluable for business leaders.

ADVANTAGES	DISADVANTAGES
1. Physical Infrastructure -extensive commercial freight docks in protected deep-draft harbor -dock-side container storage yard -international airport -industrial electricity -U.S. grade water, wastewater and solid waste systems	1. Physical Infrastructure -lacks an international fiber optic link -congested roads in need of repair -general lack of reliability (i.e., internet & electricity) 2. Social Infrastructure and Business Environment -land tenure system is cumbersome and

<ul style="list-style-type: none"> -roads -Industrial Park -cannery operations, including buildings and infrastructure, food grade facility <p>2. Social Infrastructure and Business Environment</p> <ul style="list-style-type: none"> -security and stability of being part of the 	<ul style="list-style-type: none"> unpredictable -limited access to capital and higher borrowing costs -strict government regulations and slow delivery of public service -limited air links due to U.S. cabotage laws -below U.S. standard healthcare services
<p>United States family (i.e., presence of FBI, FAA, TSA, and U.S. Postal system; part of U.S. court and banking systems; USDA food inspectors, stable base of federal financial support, good reputation of Samoans in the U.S. military, free enterprise capitalism)</p> <p>3. U.S. style tax code</p> <p>4. U.S. trade advantages</p> <ul style="list-style-type: none"> -tariff protection, Jones Act, Nicholson Act -“Made in America” labeling <p>5. Long History of success with tuna processing</p> <p>6. American Samoa Government business incentives</p> <ul style="list-style-type: none"> -tax exemptions possible (local control over taxation) -job training assistance available -small business counseling and other forms of assistance -no property tax <p>7. Intact society/culture</p> <p>8. Lower wages relative to the U.S. and other industrialized places</p> <p>9. Close ties to USA, including military</p>	<p>3. Concerns of Business Community regarding business environment</p> <ul style="list-style-type: none"> -uneven playing field due to local politics -difficulty in obtaining business licenses in a timely manner -high taxes, duties, and fees -higher tax scheme for foreign corporations -no title insurance and limited financial infrastructure -federal government indifference -loss of historic federal advantages (i.e., Section 936, special minimum wage provisions and declining importance of duty-free access to the U.S.) -perceived lack of urgency or interest amongst local population as it relates to business development -negative publicity from Daewoosa and other corruption issues <p>4. Human Capital</p> <ul style="list-style-type: none"> -limited local labor pool -lack of immigration security for foreign labor -wages that are higher than what must be paid in competing locations, yet wages that are so

<p>services</p> <p>10. Friendly and welcoming people</p> <p>11. Human capital</p> <ul style="list-style-type: none"> -skilled personnel and management at canneries and elsewhere -unskilled labor pool -access to wider labor pool through immigration (local control over immigration) - English speaking population - U.S. based education system <p>12. South Pacific location</p> <ul style="list-style-type: none"> - located between United States and Australasia - low levels of higher education attainment <p>13. Natural Resources</p> <ul style="list-style-type: none"> -deep and protected harbor -ocean resources -plentiful fresh water -natural beauty/low pollution -a few areas with good diving, surfing, fishing, etc. 	<p>low that they lead to a “brain drain” in many areas (i.e., nurses, teachers, and other skilled workers)</p> <ul style="list-style-type: none"> -limited number of CPAs or equivalent -American Samoan students have lowest scores in United States in national assessment tests. - Problem affects efficacy of Community College, which must enroll almost all students in developmental classes. Low ASVAB test scores prevent many school leavers from achieving their desire of enlisting - proximity to fishing grounds in U.S. armed forces <p>5. Geography</p> <ul style="list-style-type: none"> - low distance to markets and sources of supply, compounded by not being located near major transpacific shipping lanes - remoteness makes for expensive shipping - remoteness and small size contributes to expensive electricity - remoteness and small size makes for expensive telecommunications (and lack of redundancy) <p>6. Natural Resources</p> <ul style="list-style-type: none"> -limited land mass and developable land -limited arable land -few and small beaches -few world class dive or surf spots
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Table 1: *Advantages vs. Disadvantages of doing business in American*

1.1. RESEARCH QUESTION

1.2. OBJECTIVE OF THE PAPER

The main goal of this study is to explore the different ways in which the people of American Samoa can save their struggling economy. It is a combination of theoretical and empirical research.

1.3. LIMITATION OF THE RESEARCH

This research is limited to searches on the internet and the availability of experts on American Samoa's economy.

2. FRAME OF REFERENCE

This research is critical because of three main reasons. Firstly, I am sensitive to the economic security of this place where I was born and raised. I know first hand the importance of my role and connection to the overall well being of American Samoa because I was a beneficiary of funds co-sponsored by the American Samoan government and Star-Kist Samoa, Inc., that financed my undergraduate college education overseas. I returned home after graduation to contribute to the local work force and to this day, I have been working and continuing my studies abroad not only for me and my family's benefit but also with hopes that my education and professional experiences overall will equip me for some type of public service to the people of American Samoa someday.

Secondly, I would like to use this research as a means to obtain an in depth knowledge of the nature of American Samoa's economy and the major factors and players in its growth and stability; and lastly, this research is timely. American Samoa is desperately seeking ways to diversify its economy especially after the departure in September 2009 of Chicken of the Sea, one of the two largest private employers in the U.S. territory. This is a huge opportunity for American Samoa to take a really good look at itself and its struggling economy and find new

ways to become competitive with the rest of the world and usher in a new era of economic prosperity or else it will become a welfare state and fall further behind the global economy.

In other words, it is my desire to contribute in some fashion to American Samoa's economic development plans for the future and enable me to bring the unique talents and resources of a remote place to the attention of emerging markets elsewhere which may be interested in forging business alliances with American Samoa and vice versa.

3. REVIEW OF THEORY

One of the key questions is what would a diversified private sector-based economy look like? According to Malcolm D. McPhee and Associates, the main characteristics of a diversified economy specifically tailored for American Samoa are as follows:

1. It is not dependent on one industry or company.
2. It increases local standards of living by being export-based.
3. It provides jobs and business opportunities for school leavers with limited education and training.
4. It provides local jobs and business opportunities for Samoans who have obtained high levels of education or job experience, locally or off-island.
5. It provides sufficient income and job opportunities so that Samoans do not feel compelled to move off-island.
6. It does not injure American Samoa's environment or cultural integrity.
7. It facilitates shipping and telecommunication links to the wider world.⁶

The main appeal is that it would increase American Samoa's economic independence and reduce its dependence on foreign aid. The commission recommended the establishment of call centers, manufacturing plants, and tourism development. To combat its lack of foreign direct investment, the government can come up with all kinds of alternative ideas for economic development but if they do not have the support of the traditional cultural and church leaders, they will not survive. This is due to the fact that American Samoans have a deep-seated view that

⁶ Malcolm D. McPhee & Associates, *American Samoa's Economic Future and the Cannery Industry*, <http://www.spc.int/prism/country/as/stats/canneries.pdf>

government, culture, and religion are the three main institutions that hold natural authority in Samoan society. As a result, innovation and entrepreneurship must be at harmony with all these facets of Samoan life in order to grow and flourish. Therefore, these main institutions can be both enablers and barriers of American Samoan innovation. The more critical question is how can they foster innovation?

3.1. GOVERNMENT

In American Samoa, there is a general feeling that the federal government (the United States) keeps its promises. After all, it is “Uncle Sam” who primarily feeds and funds the local American Samoan government. People in general trust the federal government but they are less trustful of their local government. Historically, the American Samoa government has been plagued by red tape and corruption.

The tsunami that devastated the Samoan islands in September 2009 not only exposed the bottom of the Pacific Ocean, it also uncovered a culture of corruption and patronage politics in the American Samoa government.

Public records showed that the Department of Homeland Security had awarded millions of federal dollars in grants for disaster preparedness here, including the construction of an island-wide siren warning system. But all the federal funding was frozen in early 2007 after DHS inspectors found that the local American Samoan government had been diverting millions of those dollars for its own uses.

Furthermore, an inspector general's report by the Department of Homeland Security issued in May 2007 cited numerous examples of American Samoan officials misusing federal grant money. The report's findings included the purchase of six flat-screen televisions for more than \$25,000; purchase of executive leather chairs for \$4,000; spending \$77,000 on equipment no auditor could find; and extensive travel and entertainment charges, including money spent in Las Vegas, Nevada, by a Samoan official for a conference he was scheduled to have attended in Colorado.⁷

Unfortunately, even in Paradise there exists a system of patronage politics that is based on “who you know” versus “what you know.” This behavior among all levels of society drains itself

⁷ Drew Griffin and David Fitzpatrick, “Tsunami Warning Funds Squandered in American Samoa,” *CNN.com*, Oct. 28, 2009 (<http://edition.cnn.com/2009/WORLD/americas/10/27/asamoa.tsunami.warningssystem/>)

into the government's role in economic development or impairment. It grants special favors to one business entity at the expense of another. It unbalances the playing field and slows down innovation. According to the 2006 report published by the U.S. Department of Interior: "A Private Sector Assessment for American Samoa,"⁸ the business community wants greater transparency, less complex business licensing procedures, lower and less complex taxes, a more skilled labor pool, etc.

Fortunately, the U.S. Department of Labor awarded American Samoa with its largest ever National Emergency Grant (NEG) in the amount of USD \$25 million to aid in its recovery process in the wake of the 2009 tsunami. One of the key components of its recommendations for American Samoa was advancing innovation and enterprise, while effectively managing risk. The NEG Grant report stated:

*As American Samoa moves away from a developmental approach dependent on low wages to one that prioritizes higher skills and creative enterprises, it must experiment with new approaches – supporting self-employment, prioritizing emerging sectors and clusters, and advancing workplace-based development initiatives. The NEG program provided opportunities to pilot new ideas, like the culinary training program. The Work Experience Internship and OJT programs engaged dozens of private sector employers, many of them small. Finding ways to attract resources, scale effective initiatives, and vet and test ideas while balancing potential risk are critical capacities needed across sectors among American Samoa's workforce leaders.*⁹

One form of innovation is scientific innovation, which is encouraged by the local Department of Education and the territory's one and only institute of higher learning, the American Samoa Community College. For example, science fairs are held at the elementary and secondary levels every year where students from all over the islands compete with the latest and greatest local innovations.

⁸ Jocelyn L.M. Doane and Sara E. Gray, as quoted by Malcolm D. McPhee & Associates, *A Private Sector Assessment for American Samoa*, in *American Samoa's Economic Future and the Cannery Industry*, February 2008. <http://www.spc.int/prism/country/as/stats/canneries.pdf>

⁹ Social Policy Research Associates. *From Tsunami to Renewal: A Review of American Samoa's National Emergency Grant*, December 2012. http://americansamoarenewal.org/sites/default/files/American_Samoa_Executive_Summary.pdf

In April 2012, the American Samoa Community College sponsored an invention competition open to all of the college's student clubs.¹⁰ The All Saints Club came up with a mini-water filtration system that could purify polluted water and make it safe to drink. They filled up a large soda bottle with a system of natural purifying elements that purified the dirty water by the time it reached the bottom of the bottle. The Student Government organization showed how a used light bulb could be turned into a small kerosene lantern by using 100% cotton material as the wick of the lantern; and the New Generation Club displayed an unusual method of cooking by using an old tire and glass window louvers. A small cooking pot was placed within the circumference of the tire and the glass louvers were positioned on top of that circumference. The glass would intensify the sunlight to such a degree that it would slowly begin to cook the contents of the pot. These types of innovations should be encouraged and developed so that they might become profitable enterprises in the future.

3.2. CULTURE

Another recommendation that the NEG report outlined was engaging the extended family (aiga) network. There may not be a whole lot of corporations in American Samoa but there are plenty of knowledge networks that exist within the extended families spread across the globe that could be harnessed for innovation. The report stated:

We saw countless examples of American Samoans returning from the U.S. mainland or elsewhere to assist their families after the tsunami, leading game-changing initiatives by engaging their off-island networks. Chef Sualua Tupolo, who launched the American Samoa Culinary Academy, is one example. At the same time, there are thousands of networks in the U.S. comprised of American Samoans who are working or attending school. Families, churches, and now workforce programs are engaging these networks in ways that help students and new arrivals succeed. American Samoa's leaders must build and support networks that enable opportunities for off-island education, training, development for residents of American Samoa, and opportunities for U.S. mainlanders and Pacific islanders to learn and work in American Samoa. Reaching out to those who have returned home from military service, education, or off-island holds tremendous promise as a low-cost,

¹⁰ James Kneubuhl, "Invention Contest encourages Innovation," *Samoa News*, April 26, 2012.
<http://samoanews.com/?q=node/4776>

*high-impact workforce for development strategy.*¹¹

The NEG report stressed the importance of family networks, which are critical for the traditional and cultural acceptance of innovation as a worthwhile and essential component in American Samoa's economic recovery and development. The family and not the individual is the most basic unit of Samoan culture. Therefore, it is generally considered that what is good for the family is good for the culture.

Another form of innovation that the Samoan culture can help to cultivate and enhance is agricultural innovation. A study conducted by Cluny MacPherson of the University of Auckland in the late 1980's showed that Samoan families and villages awarded their agricultural innovators with chiefly titles and leadership roles in society. The study was based in Western Samoa (now Independent Samoa) but the dynamics and circumstances are the same as those in American Samoa. Therefore, one cannot conclude that Samoan culture would be indifferent or even hostile towards individual innovation because it would benefit not only the innovator but also his or her family and society as a whole. Cluny concluded that, "This sector's (agriculture) failure to attain productivity lies not solely, or even primarily, in the social organization of the village, but in rational consideration of the costs and benefits of various economic alternatives."¹²

It does not take rocket science to figure out that the major economic alternatives directly at odds with agricultural innovation in American Samoa is the exodus of American Samoa's young, able, and college educated workforce to Hawaii and the United States in search of better paying jobs. Parents are increasingly encouraging their sons and daughters from an early age to pursue military, college, or sports (primarily National Football League) opportunities abroad that would bring wealth and income into the family. The lack of an agricultural labor force and limited arable and developable land in American Samoa are preventing this section of the economy from

¹¹ Social Policy Research Associates. *From Tsunami to Renewal: A Review of American Samoa's National Emergency Grant*,

[Http://americansamoarenewal.org/sites/default/files/American_Samoa_Executive_Summary.pdf](http://americansamoarenewal.org/sites/default/files/American_Samoa_Executive_Summary.pdf)

¹² Cluny MacPherson, "The Road to Power is a Chainsaw: Villages and Innovation in Western Samoa," *Pacific Studies Volume 11, No. 2* (March 1988).

<https://ojs.lib.byu.edu/spc/index.php/PacificStudies/article/view/9477/9126>

advancing to the next level in growth and innovation.

However, there is plenty of innovative technology that is hidden behind the obvious uses of the crops that are grown locally. For instance, the coconut tree serves a variety of different purposes. The coconut meat, juice, and cream can be consumed. The coconut leaves can be used to weave baskets and make other handicrafts for home and business décor; and the stems of the leaves can be used for making the bristles of a broom. Families or clans can develop their plantations into factories for making these ancient and yet innovative business products to make large profits if given the proper training in business management and financial support from the government. An immigrant labor force can be leveraged to run the plantation or factories. After all, just as American Samoans are leaving their homeland for better opportunities abroad, there are many non-Americans in the neighboring Pacific islands and countries that would like to take advantage of the benefits of living in a United States territory such as American Samoa. If nothing else, it is a stepping-stone to Hawaii and the U.S. mainland.

3.3. RELIGION

The Church has a unique role in American Samoa's economic development. In addition to the cultural institutions, religion is where the majority of American Samoans invest their money and efforts. Samoans are a deeply religious people. The culture is married to religion. Samoan students still pray in public schools, and all public events start and end with a prayer. Church is the place where education, musical innovation and talent are developed. It is where networking and financial transactions take place. It is also not a secret that the pastors of large congregations are among the wealthiest people in American Samoa because the faithful pay for their salaries and living expenses. Many Samoans give generously to the Church at the expense of their own personal needs and wants.

Churches also raise thousands of dollars through raffle tickets, bake sales, car washes, walkathons, and other fundraisers that benefit the local banking industry. Religious buildings are

the largest and most beautiful structures in the villages. The Church is a profit making business in American Samoa. It also helps struggling families by giving them spiritual as well as economic support. Whether it is formally aware of it or not, American Samoa has relied heavily on the good nature of the Samoan churches to help its struggling economy and like the government and the culture, can be a stimulator of innovation.

In summary, it is difficult for American Samoa to reach the grand scales of the larger emerging markets in the developing world due to its small size and remote location. Instead it is learning and seeking new ways to become economically independent with the help of the federal government by developing and retaining local skill and innovation, and building networks around the globe. However, innovation cannot succeed without support from the local government, the traditional leaders, and the Church, which are considered the most important institutions in Samoan society. These theoretical viewpoints were “put out there” to garner public opinion via survey.

4. RESEARCH METHODOLOGY

As part of this exploratory study, I used social media to collect public opinion and input on the Economy of American Samoa. A poll was conducted on Facebook from July 30, through August 15, 2014. It was closed after the 200th participant completed it. This number in itself was a gift since it was a challenge to gain public interest and support for this project in a limited amount of time.

A very sincere and earnest effort was made in order to publicize the Survey to collect as much input as possible from a variety of people. Firstly, I shared the link on my own personal Facebook page and my *Amerika Samoa: An Economy of Warriors* Facebook page.¹³ The latter is based on my thesis research. I asked my Facebook “friends” to take the survey and to share it with their connections. Secondly, I filmed myself requesting support for the survey and posted the video

¹³ Johnny Toma, *Amerika Samoa: An Economy of Warriors*, Facebook, <https://www.facebook.com/amerikasamoeconomyofwarriors?ref=hl>

¹⁴ on my Facebook pages and on other notable Samoan Facebook pages such as *Samoa News American Samoa*, *Café Koko Samoa*, *Samoa Pride*, *Manu'atele Community Worldwide*, *Samoa mo Samoa*, *Itulau mo Samoa*, and my high school class's Facebook group page entitled *Class of 1994 Hardcore*.

Despite these attempts, the momentum was not moving as fast as I would like. According to the statistics about the Survey (see Figure 1), 503 people viewed it but only 200 of them (40%) answered the questions. Of those who took the survey, 41 of them (just 21%) shared the Survey. Finally, only 11 people (6%) invited their Facebook friends to participate. These were not enthusiastic numbers. It gave me the impression that the Economy of American Samoa was not a very popular topic of interest on social media. If only 40% of visitors participated, that means that 60% of them only peeked at it but didn't do it. The Survey was cleverly orchestrated so that an individual would only be able to view each question one at a time. The average time that took to complete the poll was 5 minutes and 40 seconds.

¹⁴ Johnny Toma, "Video about the Survey on the Economy of American Samoa," Facebook, <https://www.facebook.com/video.php?v=522438877887514>

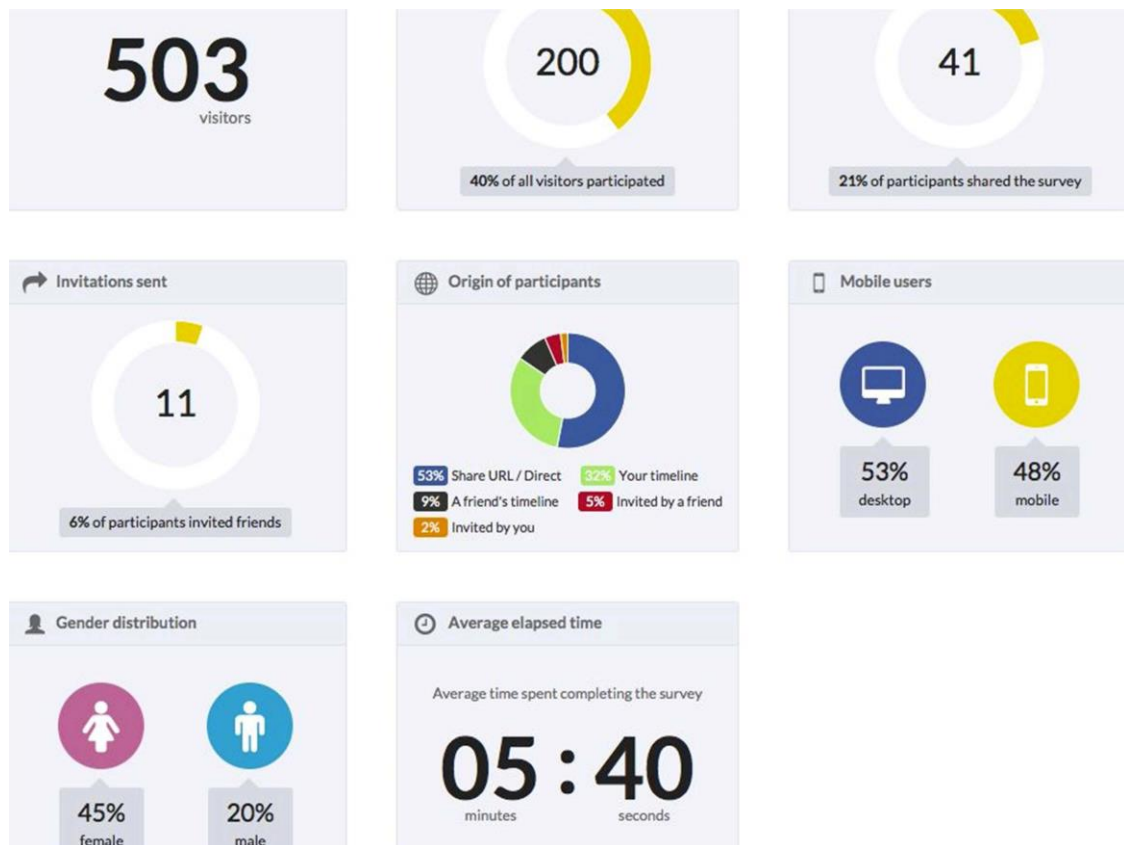


Figure 1: Statistics of Facebook Survey Participants¹⁵

The following Figures 2 -17 display the results of the poll in pie chart format.

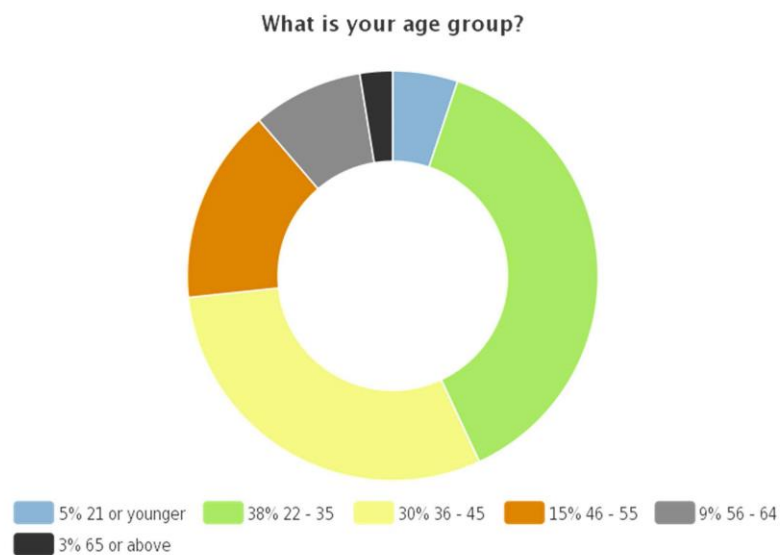


Figure 2: Survey Question # 1.¹⁶

¹⁵ Johnny Toma, *American Samoa's Economy: What can we do to improve it?*, Survey, Facebook, July 30 – August 15, 2014.

What is your highest level of education?

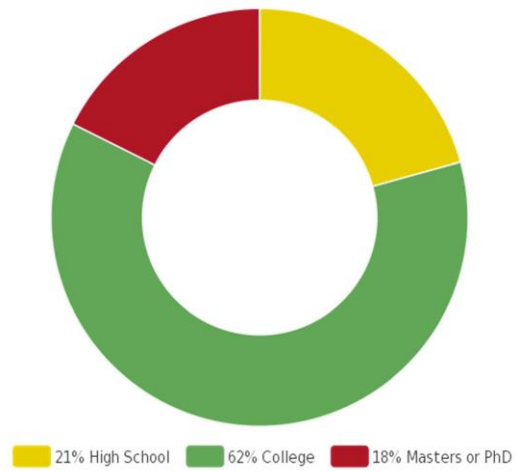


Figure 3: Survey Question # 2.

What is your sex?



Figure 4: Survey Question # 3

¹⁶ All survey Questions from: Johnny Toma, *American Samoa's Economy: What can we do to improve it?*, Survey, Facebook, July 30 – August 15, 2014.

Were you born in American Samoa?

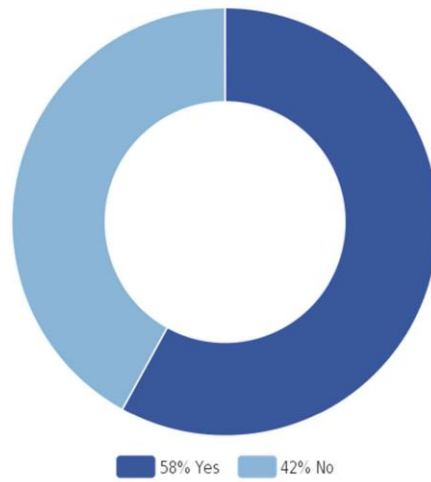


Figure 5: Survey Question # 3

Do you currently live in American Samoa?

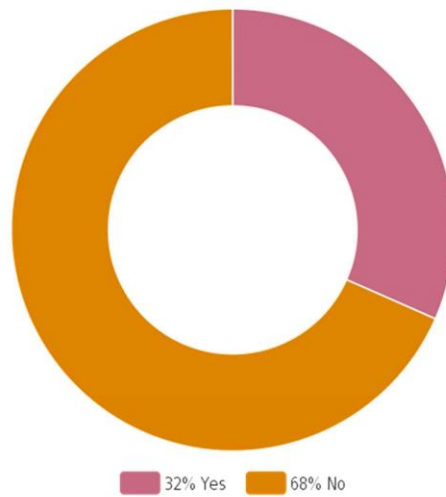


Figure 6: Survey Question # 4

How many years have you lived in American Samoa?

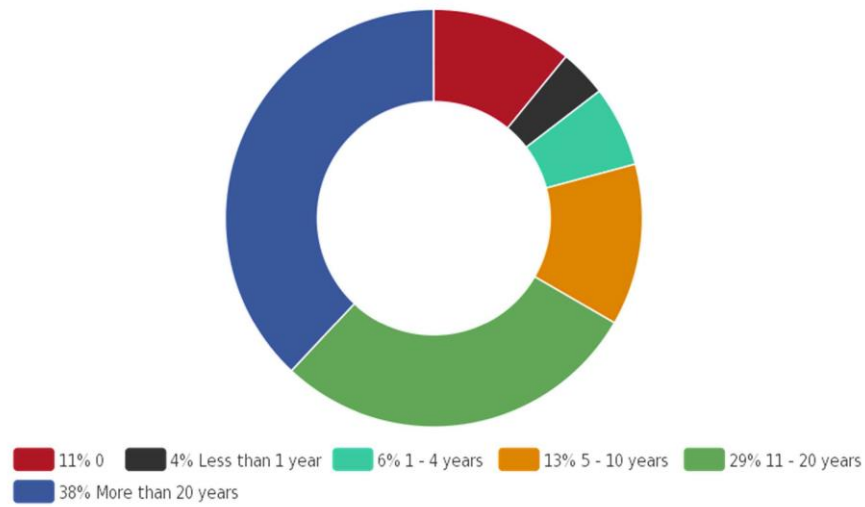


Figure 7: Survey Question # 5

Which sector do you work for?

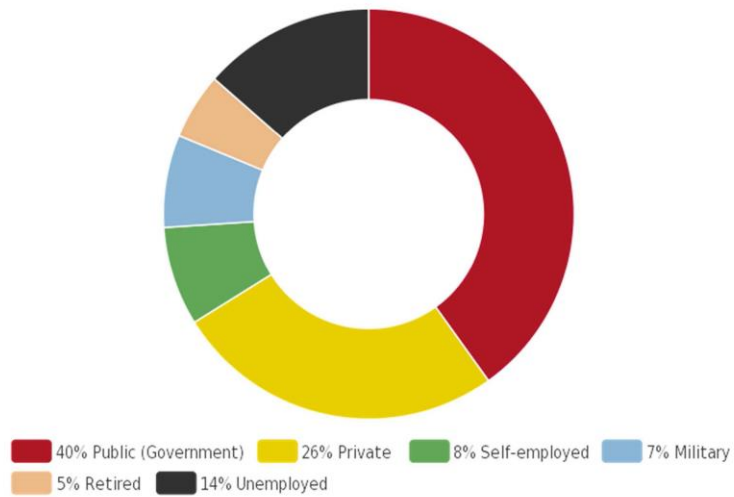


Figure 8: Survey Question # 6

What is your impression of the state of the economy in American Samoa?

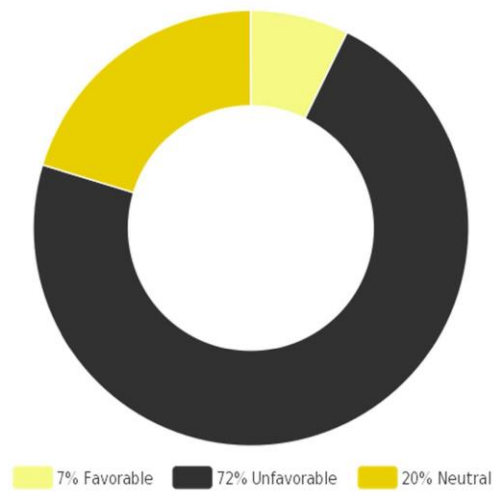


Figure 9: Survey Question # 7

Figure 10: Survey Question # 9.²⁵

Are the government leaders in American Samoa doing a good job at managing the local economy?

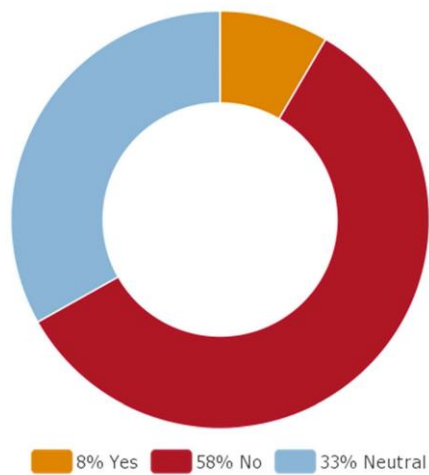


Figure 10: Survey Question # 8

Do you think American Samoa is too dependent on the United States for financial support?

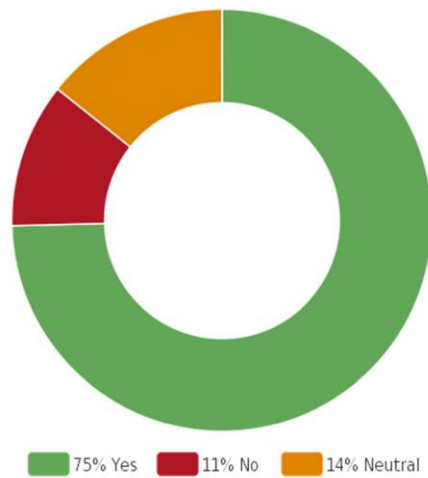


Figure 11: Survey Question # 9

Figure 12: Survey Question # 11.²⁷

Do you think American Samoa should become more economically self-sufficient?

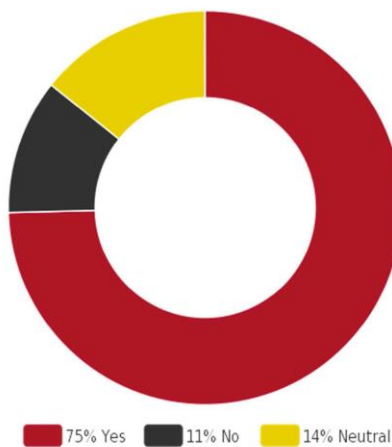


Figure 12: Survey Question # 10

How can the American Samoa Government best improve the local economy?

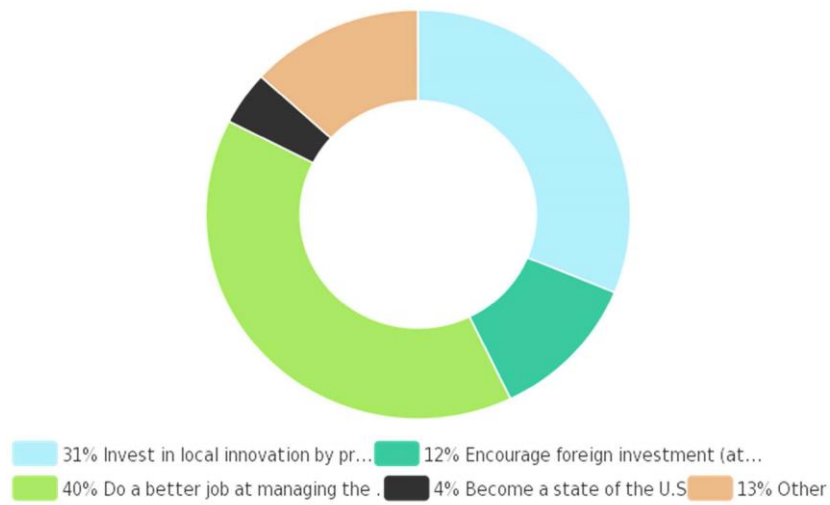


Figure 13: Survey Question # 11

Figure 14: Survey Question # 13.²⁹

In your opinion, what is American Samoa's most profitable natural resource?

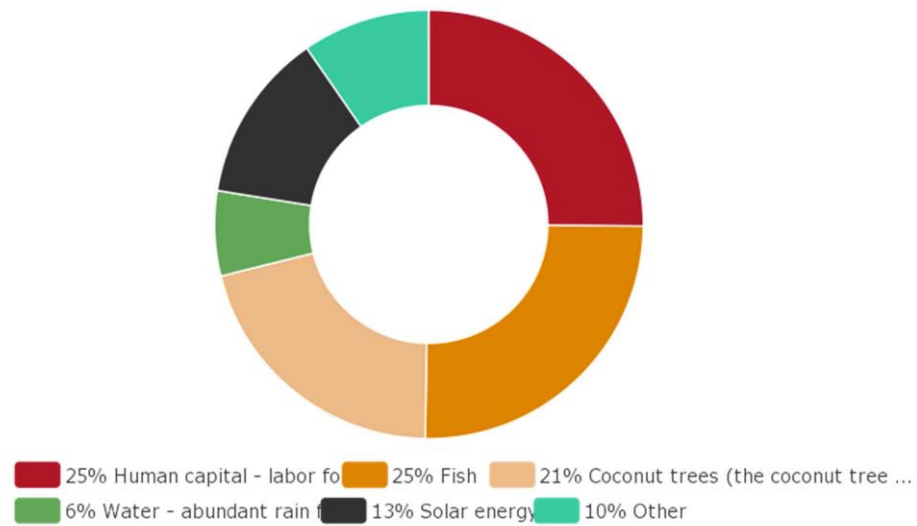


Figure 14: Survey Question # 12

Should American Samoa invest more in its natural resources?

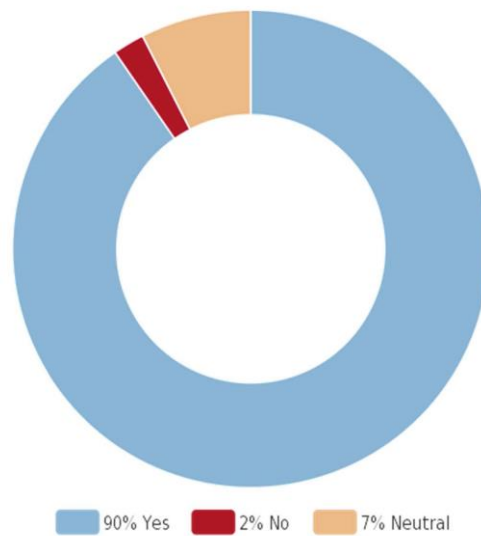


Figure 15: Survey Question # 13

Figure 16: Survey Question # 15.³¹

Which type of local innovation would you support the most? Pick one.

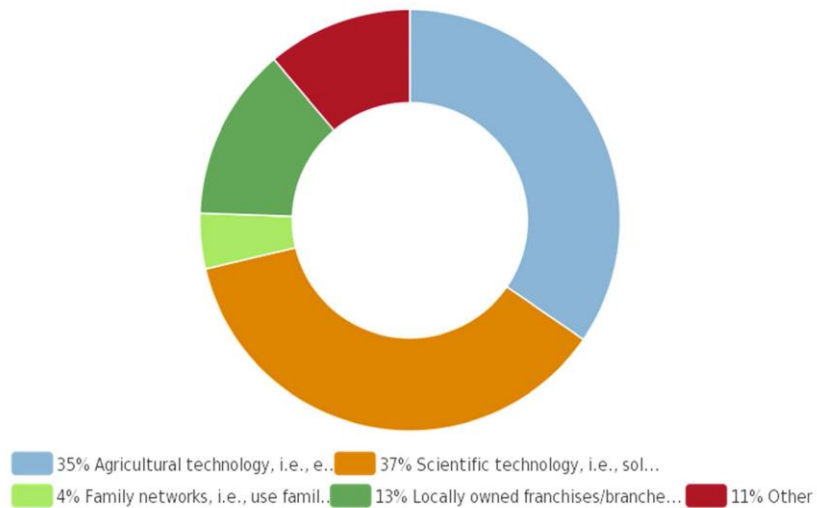


Figure 16: Survey Question # 14

From the list below, choose the top 3 factors that undermine economic progress in American Samoa.

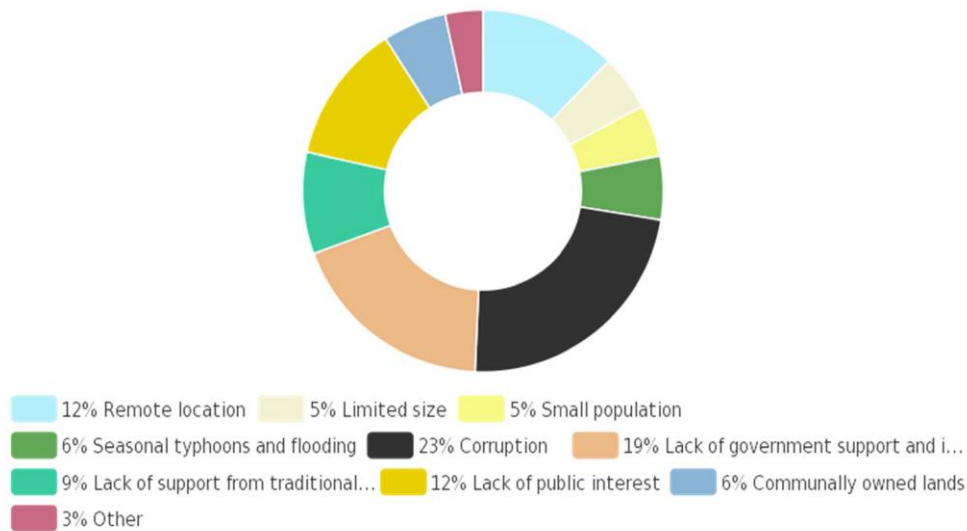


Figure 17: Survey Question # 15

5. ANALYSIS

So what information did the Facebook survey reveal? The first seven questions served to paint a picture of the demographics of those who participated in the poll. Almost $\frac{3}{4}$ of the respondents were below 46 years of age (see Figure 2). 79% of them held a college or graduate degree (see Figure 3). The majority of them, 68%, were female versus 32% male (see Figure 4). This is an interesting statistic.

One can draw several assumptions from the latter data. One could assume, for instance, that more females were interested in the topic of the Survey versus their male counterparts. Another notion could be that more females were concerned and had ideas about the economy of American Samoa than males. They also could have even been biased towards the surveyor as a male. No one can know for sure since this was a public opinion poll on social media and it would be a far stretch to assume that females have more access to the internet than males. However, what is known about the contrast between males and females in American Samoa for certain is that according to the 2010

U.S. Census, the median annual income for females was \$440 higher than males.¹⁷ This data is a significant improvement on the part of wages for women because ten years earlier, it was the opposite. The median annual earnings for men outweighed those of women by \$706 according to the U.S. Census in the year 2000.¹⁸

58% of those who took the Facebook survey were born in American Samoa (see Figure 5). Coincidentally, that is the same percentage of American Samoa's population who were born there according to the 2010 U.S. Census.¹⁹ 32% of the respondents were living in American Samoa at the time of the survey (see Figure 6). 89% of the participants had resided in American Samoa at some point in their lives or were living in American Samoa during the time of the poll. 38% lived there for more than 20 years (see Figure 7). Therefore, one can draw a conclusion from these statistics that the majority of the respondents had knowledge of and experience with American Samoa. 40% of the survey takers worked for the government while 26% worked for the private sector, followed by 14% who were unemployed, 8% self-employed, 7% in military duty, and 5% retired (see Figure 8). In other words, this was a diverse group of people in terms of job sector.

The remaining nine questions of the survey were focused on extracting the opinions of these individuals about the American Samoan economy. Most of them, 72%, had an unfavorable view of the economy in American Samoa (see Figure 9). Only 8% of the poll respondents thought that the government leaders in American Samoa were doing a good job at managing the local economy (see Figure 10). That is a dire figure. In fact, they chose corruption (23%), lack of government support

¹⁷ U.S. Census Bureau, 2010 American Samoa Demographic Profile
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_AS_ASDP3&prodType=table

¹⁸ U.S. Department of Labor, *American Samoa National Emergency Grant: Workforce Development Plan Draft*
http://americansamoarenewal.org/sites/default/files/resource_documents/Am%20Sam%20Disaster%20NEG%20WFD%20Plan.pdf

¹⁹ U.S. Census Bureau, 2010 American Samoa Demographic Profile
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_AS_ASDP2&prodType=table

and infrastructure (19%), and lack of public interest (12%) as the top three factors that undermined economic progress in American Samoa (see Figure 17). 3/4 of the poll participants thought that American Samoa was too dependent on the United States for financial support and the same percentage thought that American Samoa should become more economically self-sufficient (see Figures 11 & 12).

The survey respondents thought that the American Samoa Government could best improve the local economy by doing a better job at managing the funds from the United States Federal Government (40%), investing in local innovation by providing business mentoring,

coaching, training, and support (31%), and encouraging foreign investment (12%) (see Figure 13). A significant percentage of the public poll thought that the economy of American Samoa would greatly improve if the American Samoa Government did not mismanage the funds from the United States. Millions of dollars are poured into American Samoa by the federal government each year for various programs but unfortunately, are not used properly for local benefit. The following is a summary of the December 2004 report to Congressional requesters by the U.S. Government Accountability Office (GAO) and it is quite telling of the accountability problem in American Samoa:

To better understand the role of federal funds in American Samoa, GAO (1) examined the uses of 12 key grants in fiscal years 1999-2003, (2) identified local conditions that affected the grants, and (3) assessed accountability for the grants.

What GAO Found:

In fiscal years 1999-2003, 12 key federal grants supported essential services in American Samoa. These services included support for government operations, infrastructure improvements, nutrition assistance, the school system, special education, airport and highway infrastructure improvements, Medicaid, and early childhood education.

A shortage of adequately trained professionals, such as accountants and teachers, as well as inadequate facilities and limited local funds hampered service delivery or slowed project completion for many of the grants. For example, American Samoa's only hospital lacked an adequate number of U.S.-certified medical staff. Further, the hospital had persistent and serious fire-safety code deficiencies that jeopardized its ability to maintain the certification required for Medicaid funding.

American Samoa's failure to complete single audits, federal agencies' slow reactions to this

*failure, and instances of theft and fraud limited accountability for the 12 grants to American Samoa. The American Samoa government did not comply with the Single Audit Act during fiscal years 1998-2003. The 1998-2000 audit reports, completed in 2003, and the 2001 audit report, completed in 2004, cited pervasive governmentwide and program-specific accountability problems. Despite the audits' delinquency, federal agencies were slow, or failed, to communicate concern to the American Samoa government or to take corrective action. In addition, accountability for all of the grants was potentially undermined by instances of theft and fraud. For example, the American Samoa Chief Procurement Officer, whose office handles procurements for most of the grants GAO reviewed, was convicted of illegal procurement practices.*²⁰

American Samoans have known their government to be a failure in terms of accountability. There is more than enough money from the U.S. Government to feed and support a mere population of 55,519 people, which is the equivalent of a small city in the United States. Unfortunately, that is not happening and until the local government gets its act together, continuing to rely on external sources of funding will not fix the problem. It's like the old adage, "You can't keep throwing money at the problem hoping that it would solve it on its own." If you don't have the right diagnosis, an appropriate strategy or the necessary human resources, money will only be used to put a bandage on the surface but it won't get at the root of the issue. Like a cancer it will continue to spread if it is not properly treated.

A whopping 90% of those who took the Facebook survey thought that American Samoa should invest more in its natural resources (see Figure 15). They thought that the most profitable of American Samoa's natural resources were fishing and human capital with 25% each, followed by coconut trees at 21% and solar energy at 13% (see Figure 14). It is not a surprise that fishing was a popular choice because it is a well known fact that canned tuna is the Territory's largest and most lucrative export (see Table 2). 95% of American Samoa's total exports from 2007 to 2012 were canned tuna.

Furthermore, Table 2 shows that the value of American Samoa's total exports during that six-year period had consistently outweighed the value of its imports.²¹ An observer could easily

²⁰ Government Accountability Office, *American Samoa: Accountability for Key Federal Grants Needs Improvement: GAO-05-41*, <http://www.gao.gov/assets/250/244973.html> (December, 2004).

²¹ American Samoa Department of Commerce, *American Samoa At a Glance Report*, <http://www.doc.as.gov/wp-content/uploads/2011/06/RevisedAtaGlance2014.pdf>

notice that tuna is a successful enterprise for American Samoa but who is pocketing all the wealth while the majority of the local residents continue to live in poverty? Questions like this are all too frequently asked among the general public. Sadly, top off-island executives are the usual beneficiaries at the expense of the local fishermen and fish cleaners at the bottom of the organizational chart who earn below the continental U.S. minimum wage.

That is probably the main reason why local American Samoan workers do not benefit from the successful tuna canning industry in American Samoa. James Sterk of the Heritage Foundation explained the special bind that American Samoan workers are in during his testimony before the Health, Education, Labor, and Pensions Committee of the United States Senate on June 25, 2013. It offers a decent crash course on American Samoa's particular minimum wage plight:

American Samoans have a largely separate economy and considerably lower incomes than residents of the continental United States: the average Samoan worker made \$12,000 in 2009. The tuna canning industry makes up a significant portion of their private sector.

Until recently American Samoa had a different minimum wage schedule than the continental United States. A committee within the Department of Labor set Samoan wage minimums according to local economic conditions. In January 2007 the minimum wage in the canning industry stood at \$3.26 an hour. Unfortunately for American Samoa, Congress applied the 2007 federal minimum wage increase to the territory. The legislation aligned the Samoan minimum wage with the U.S. rate of \$7.25 an hour in 50 cent annual increments.

Almost every hourly worker in the tuna canning industry makes less than \$7.25 an hour. At that level the minimum wage would cover 80 percent of the islands' hourly workers. This would be the economic equivalent of raising the minimum wage to \$20.00 an hour in the continental U.S.

By May 2009 the third scheduled minimum wage increase in Samoa took effect, rising to \$4.76 an hour and covering 69 percent of canning workers. This did not increase purchasing power, stimulate demand, and raise living standards, as many minimum wage proponents theorize. Instead StarKist—one of the two canneries then located in Samoa—laid off workers, cut hours and benefits, and froze hiring. The other cannery—Chicken of the Sea—shut down entirely in September 2009. The Government Accountability Office reports that between 2006 and 2009 overall employment in American Samoa fell 14 percent and inflation-adjusted wages fell 11 percent. Employment in the tuna canning industry fell 55 percent. The GAO attributed much of these economic losses to the minimum wage hike.

The Democratic Governor of American Samoa, Togiola Tulafono, harshly criticized this GAO report for understating the damage done by the minimum wage hike. Testifying before Congress Gov. Tulafono objected that “this GAO report does not adequately, succinctly or clearly convey the magnitude of the worsening economic disaster in American Samoa that has resulted primarily from the imposition of the 2007 US minimum wage mandate.” Gov. Tulafono pointed out that American Samoa’s unemployment rate jumped from 5 percent before the last minimum wage hike to over 35 percent in 2009. He begged Congress to stop increasing the islands’ minimum wage:

“We are watching our economy burn down. We know what to do to stop it. We need to bring the aggressive wage costs decreed by the Federal Government under control. But we are ordered not to interfere ...Our job market is being torched. Our businesses are being depressed. Our hope for growth has been driven away...Our question is this: How much does our government expect us to suffer, until we have to stand up for our survival?”

Samoan employers responded to higher labor costs the way economic theory predicts: by hiring fewer workers. Congress hurt the very workers it intended to help. Fortunately, Congress heeded the Governor’s plea and suspended the future scheduled minimum wage increases.²²

Given that the livelihood of American Samoan workers, like everyone else in capitalist societies around the world, are at the mercy of their employers, why shouldn’t they strive to work for themselves and take control of their own economic well being by becoming entrepreneurs? According to the Facebook survey, the types of local innovation that the respondents would support the most were scientific technology, i.e., solar energy at 37%; agricultural technology, i.e., Samoan brooms made from coconut trees at 35%; and locally owned franchises or branches of international companies at 13% (see Figure 16). So it really does beg the question with the issue of innovation and entrepreneurship: Why don’t American Samoans use their wonderful natural resources to develop solar energy, an agricultural (fruits and vegetables) industry, or even a tourism industry? What are the local conditions that prevent private citizens from developing their own businesses?

²² James Sherk, *What is Minimum Wage: Its History and Effects on the Economy*, The Heritage Foundation, <http://www.heritage.org/research/testimony/2013/06/what-is-minimum-wage-its-history-and-effects-on-the-economy> (June 25, 2013).

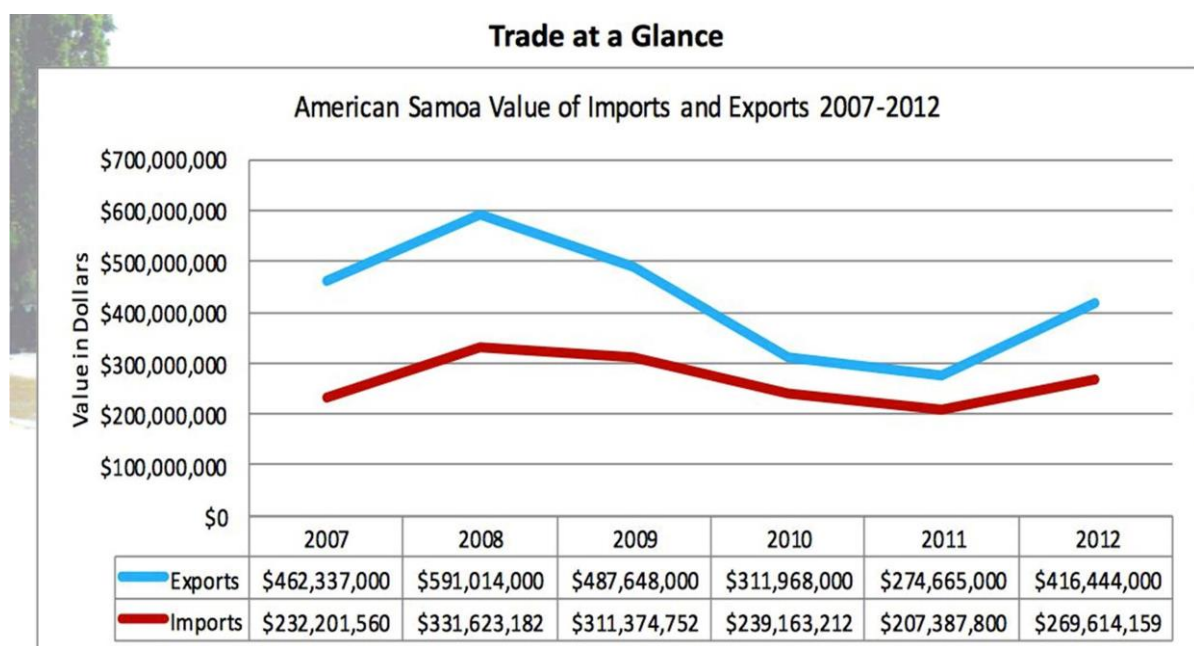


Table 2: *American Samoa Trade at a Glance*²³

Tables 3 and 4 clearly display the downward trend in the agricultural and tourism industries in American Samoa from 2006 through 2012. One can deduce from this data that the American Samoans had gradually given up on farming and on persuading outsiders to visit their beautiful islands over this seven-year period. In fact

Figure 18 offers revealing data about where the tourists came from. Most were obviously from the United States at 56%, followed by New Zealand and Australia at 29% and 11% respectively. Europe, Asia, and Canada barely made it on the pie chart. In our globalized environment, something is wrong and right about this picture. It is wrong because Africa and Latin America are missing from the pie chart but it is also right because it means that there is a huge opportunity to explore avenues of business with the rest of the developing world. In a way, this thesis will introduce American Samoa's economic situation to Latin American scholars and

²³ American Samoa Department of Commerce, *American Samoa At a Glance Report*, <http://www.doc.as.gov/wp-content/uploads/2011/06/RevisedAtaGlance2014.pdf> hopefully will reach a much wider audience

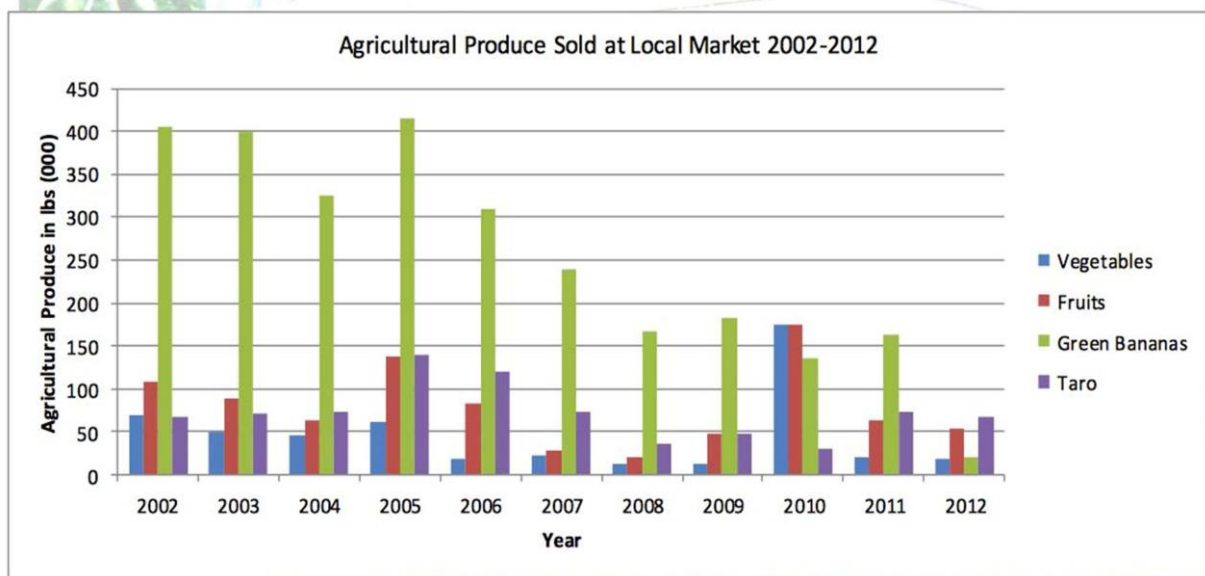


Table 3: American Samoa Agricultural Products²⁴

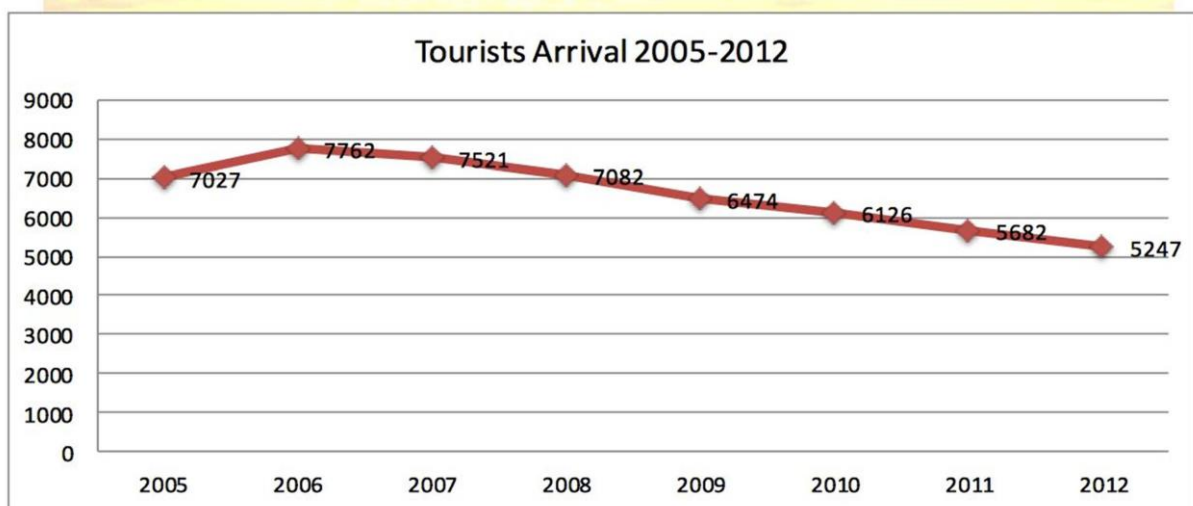


Table 4: Tourists Arrival in American Samoa²⁵

²⁴ American Samoa At a Glance Report,

<http://www.doc.as.gov/wpcontent/uploads/2011/06/RevisedAtaGlance2014.pdf>

²⁵ Idem.

Figure 18: Tourist Arrival by Citizenship for 2012⁴²

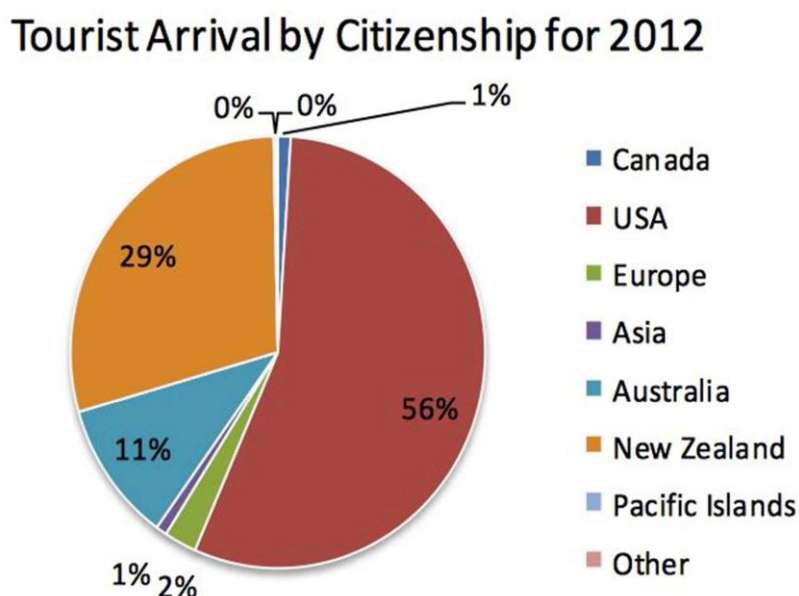


Figure 18: Tourist Arrival by Citizenship for 2012²⁶

According to Professor Carmen Migueles of Brazil:

Brazil also has a lot of resources and natural riches, but especially the northern part is rather poor. There is a rich culture, traditions, parties and all, but also persistent poverty. The intriguing question is: Why?

In Brazil, the problem of persistent local poverty is localized in some regions. The Japanese immigrated en masse to Brazil around 1910 and although very poor and moving nowhere else but the countryside, nowadays they are the largest producers of fruits and vegetables there. The same happened to the Dutch. They came in small numbers to the country side of São Paulo state, lost all of what they brought with them from Europe, and now Holambra (Holland + Brazil) – the name of the city they founded, is Latin America's largest exporter of flowers. This city is now one of the richest. The same happened with the Italians in Caxias do Sul City and with the Germans in Porto Alegre. Now they are totally assimilated in Brazil and in the culture. They consider themselves "pure Brazilians..." – but they are rich. What makes them different from other communities? They were more capable of cooperating for mutual profit. There is a huge amount of economic theory on the role of trust and cooperation on fostering development. And it leads to the role of culture in it.²⁷

The Professor made a good point. A similar phenomenon is happening in American Samoa where 89% of the population is of Samoan ancestry²⁸ but 80% of retail businesses there are

²⁶ Idem.

²⁷ Carmen Pires Migueles, email to author, September 5, 2014

²⁸ U.S. Census Bureau, 2010 American Samoa Demographic Profile

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_AS_ASDP3&prodType=table

owned by minorities, namely Asians – Koreans, Chinese and Filipinos²⁹ who emigrated to the Territory like the Japanese, Dutch, and Italians did in Brazil. They obviously took the entrepreneurship route and became self-employed, earned profits, and in turn employed others.

This may seem startling to some native Samoan people but it is an obvious fact in American Samoa. Many of the grocery and department stores; as well as restaurants and sewing shops, are owned by American Samoa's Asian minority. So is there a problem with the Samoans? Why aren't a majority of these types of businesses owned by the majority ethnic group? That is "the secret" that this research will now aim to unravel. It seems that the majority of Samoans are not "empowered" or in control of their economic situation and if the resources are available, why are they not accessing and taking advantage of them like the Asians are? Are they being "lazy" and living off of the benefits of American nationalism or is there something deeper below the surface?

It is hard to find any evidence of laziness on the part of the Samoans because they are naturally a hard working people. As hunters and gatherers, they happily lived off of their lands, the ocean, and other natural resources for millennia totally oblivious of the material possessions of industrialized societies in other parts of the world. In his *Stone Age Economics*, Marshall Sahlins referred to this phenomenon as "material plenty." His analysis of the Bushmen and

Kalaharis of Africa, the Labradors of North America, and the Murngins of Australia has a similarity to the dynamics of ancient Samoa and those who still live this way today:

Analysis of hunter-gatherer production is usefully divided into two spheres, as Mrs. Marshall has done. Food and water are certainly "important exceptions," best reserved for separate and extended treatment. For the rest, the nonsubsistence sector, what is here said of the Bushmen applies in general and in detail to hunters from the Kalahari to Labrador--or to Tierra del Fuego, where Gusinde reports of the Yahgan that their disinclination to own more than one copy of utensils frequently needed is "an indication of self-confidence." "Our Fuegians," he writes, "procure and make their implements with

²⁹ Faleomavaega Eni Hunkin, *Faleomavaega Welcomes American Samoa Business Coalition*, U.S. House of Representatives, <http://faleomavaega.house.gov/media-center/pressreleases/faleomavaega-welcomes-unity-among-business-leaders-in-american-samoa> (July 12, 2013).

little effort."

In the nonsubsistence sphere, the people's wants are generally easily satisfied. Such "material plenty" depends partly upon the ease of production, and that upon the simplicity of technology and democracy of property. Products are homespun: of stone, bone, wood, skin materials such as "lay in abundance around them." As a rule, neither extraction of the raw material nor its working up take strenuous effort. Access to natural resources is typically direct-"free for anyone to take"--even as possession of the necessary tools is general and knowledge of the required skills common. The division of labor is likewise simple, predominantly a division of labor by sex. Add in the liberal customs of sharing, for which hunters are properly famous, and all the people can usually participate in the going prosperity, such as it is.

But, of course, "such as it is": this "prosperity" depends as well upon an objectively low standard of living. It is critical that the customary quota of consumables (as well as the number of consumers) be culturally set at a modest point. A few people are pleased to consider a few easily-made things their good fortune: some meagre pieces of clothing and rather fugitive housing in most climates; 11 plus a few ornaments, spare flints and sundry other items such as the "pieces of quartz, which native doctors have extracted from their patients"; and, finally, the skin bags in which the faithful wife carries all this, "the wealth of the Australian savage."

For most hunters, such affluence without abundance in the nonsubsistence sphere need not be long debated. A more interesting question is why they are content with so few possessions-for it is with them a policy, a "matter of principle" as Gusinde says and not a misfortune.

Want not, lack not. But are hunters so undemanding of material goods because they are themselves enslaved by a food quest "demanding maximum energy from a maximum number of people," so that no time or effort remains for the provision of other comforts? Some ethnographers testify to the contrary that the food quest is so successful that half the time the people seem not to know what to do with themselves. On the other hand, movement is a condition of this success, more movement in some cases than others, but always enough to rapidly depreciate the satisfactions of property. Of the hunter it is truly said that his wealth is a burden. In his condition of life, goods can become "grievously oppressive," as Gusinde observes, and the more so the longer they are carried around. Certain food collectors do have canoes and a few have dog sleds, but most must carry themselves all the comforts they possess, and so only possess what they can comfortably carry themselves. Or perhaps only what the women can carry: the men are often left free to react to the sudden opportunity of the chase or the sudden necessity of defense.

A necessity so obvious to the casual visitor must be second nature to the people concerned. This modesty of material requirements is institutionalized: it becomes a positive cultural fact, expressed in a variety of economic arrangements. Lloyd Warner reports of the Murngin, for example, that portability is a decisive value in the local scheme of things. Small goods are in general better than big goods. In the final analysis "the relative ease of transportation of the article" will prevail, so far as determining its disposition, over its relative scarcity or labor cost. For the "ultimate value," Warner writes, "is freedom of movement." And to this "desire to be free from the burdens and responsibilities of objects which would interfere with the society's itinerant existence," Warner attributes the Murngin's "undeveloped sense of property," and their "lack of interest in developing their

technological equipment.”³⁰

Today Samoans are all too aware of their poverty in comparison to residents of first world countries in the 21st century. It used to be that as long as there was food on the table, life was good and there was no need for material possessions. To the contrary, quality education and affordable health care are becoming increasingly important to the lives of many Samoans. Like everyone else in global capitalism, they send their kids to school to get a good education, serve in the United States military, excel in national sports, and relocate to foreign lands in search of better economic opportunities for themselves and their families. They are forced to leave their beloved homeland because they need to make more money to support themselves and their families. That is why entrepreneurship is making more and more sense to explore as people seek new ways to survive and make a living in American Samoa.

However, it is not like American Samoan entrepreneurs do not exist. Despite their small number in contrast to the Asian business owners, there exists a decent number of them and they have made a big and lasting impact on the local economy for decades. Figures 19 through 24 are just a few examples of successful businesses in American Samoa owned by native Samoans.

³⁰ Marshall Sahlins, *Stone Age Economics* (Chicago, Illinois: Aldine Atherton, Inc., 1972), 10
12. <http://zinelibrary.info/files/Sahlins%20-%20Stone%20Age%20Economics.pdf>

Figure 19: Atualevao Asifoa Farm⁴⁷

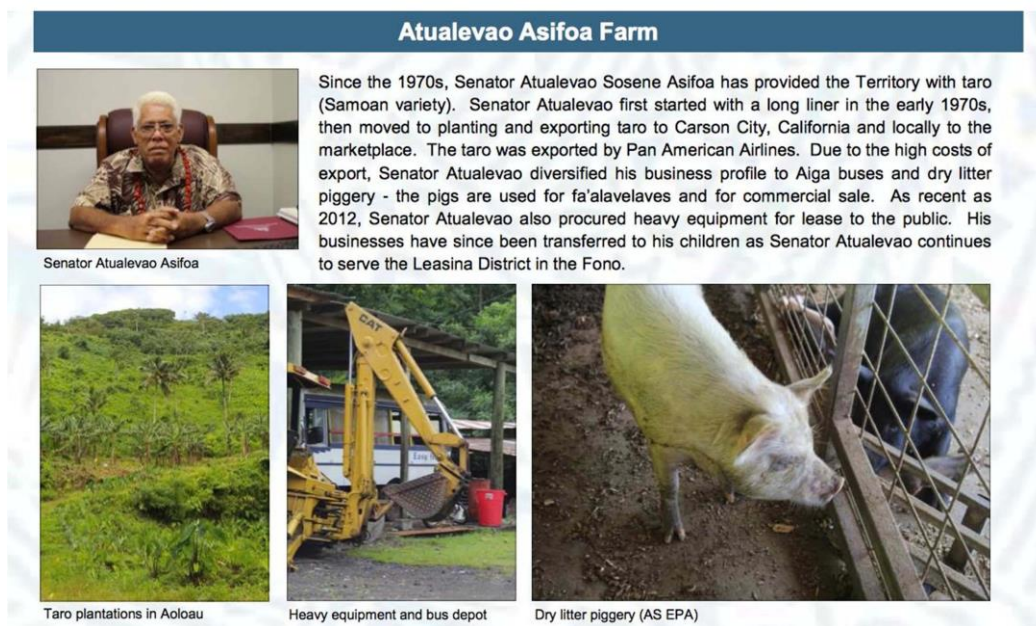


Figure 19: Atualevao Asifoa Farm³¹

Figure 20: Avegalio Farm⁴⁸



Figure 20: Avegalio Farm³²

³¹ American Samoa Government, *2014 American Samoa Business Directory: Celebrating Business Legacies* (Pago Pago, American Samoa, 2014), 4. <http://doc.as.gov/wpcontent/uploads/2014/04/AS-Business-Directory-2014-reduced-for-website.pdf>

³² *2014 American Samoa Business Directory: Celebrating Business Legacies* (Pago Pago, American Samoa, 2014), 5. <http://doc.as.gov/wp-content/uploads/2014/04/AS-Business-Directory-2014-reduced-for-website.pdf>



Figure 21: McDonald's Restaurant in Fagatogo & Tafuna³³

Figure 22: Samoa Sports, Inc. and Bill Satele & Associates, Inc.⁵⁰

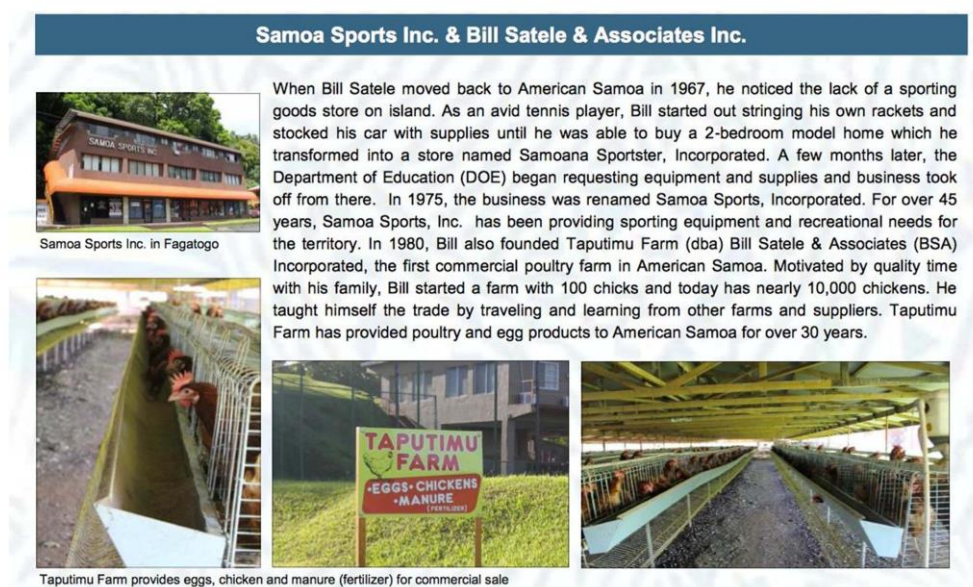


Figure 22: Samoa Sports, Inc. and Bill Satele & Associates, inc.³⁴

³³ 2014 American Samoa Business Directory: Celebrating Business Legacies (Pago Pago, American Samoa, 2014), 8. <http://doc.as.gov/wp-content/uploads/2014/04/AS-Business-Directory-2014-reduced-for-website.pdf>

³⁴ 2014 American Samoa Business Directory: Celebrating Business Legacies (Pago Pago, American Samoa, 2014), 10. <http://doc.as.gov/wp-content/uploads/2014/04/AS-Business-Directory-2014-reduced-for-website.pdf>



Figure 23: Tafuna Mini Mart and Tautua Mo Oe³⁵

Figure 24: Tisa's Barefoot Bar⁵²

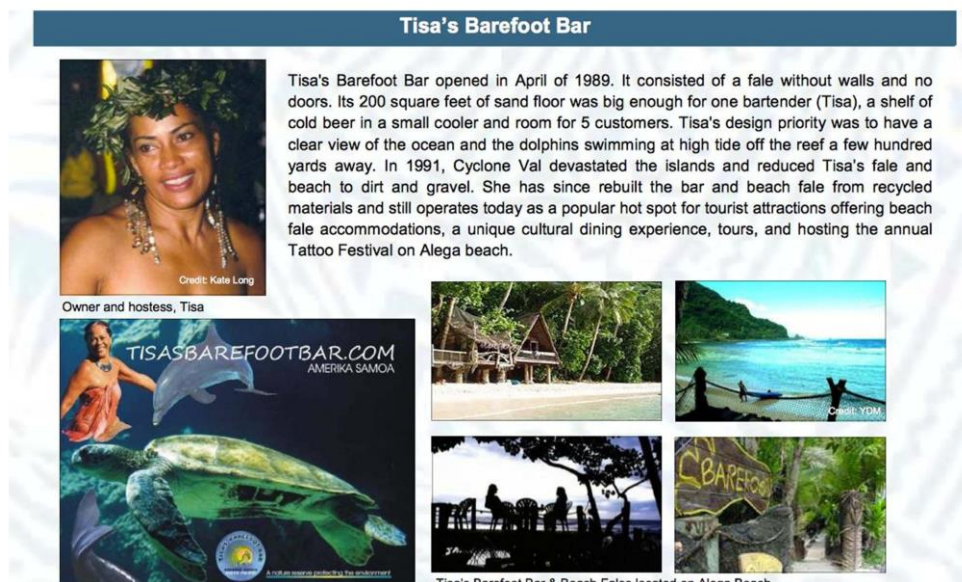


Figure 24: Tisa's Barefoot Bar³⁶

If these particular Samoans and American Samoa's Asian minority have achieved economic success, how come the majority of native Samoans still live in poverty? One theory for the issue of

³⁵ 2014 American Samoa Business Directory: Celebrating Business Legacies (Pago Pago, American Samoa, 2014), 12. <http://doc.as.gov/wp-content/uploads/2014/04/AS-Business-Directory-2014-reduced-for-website.pdf>

³⁶ 2014 American Samoa Business Directory: Celebrating Business Legacies (Pago Pago, American Samoa, 2014), 13. American Samoa, 2014), 13. <http://doc.as.gov/wp-content/uploads/2014/04/AS-Business-Directory-2014-reduced-for-website.pdf>

complacency when it comes to economic independence or individualism for the majority of native Samoans in American Samoa could be the tribal or communal culture of the Samoan people. Historically, there is no sense of individualism in the Fa'a-Samoa (Samoan way) but rather a sense of communal existence. For example, many households consist of members of an extended family including parents, grandparents, uncles, aunts, and cousins. The income of each person goes to feed and support himself or herself and the rest of the members of the household. There exists a shared sense of responsibility and collective ownership of the resources of the aiga (family or clan). It is why many Samoans, like hunters and gatherers, did not hoard personal wealth. Moreover, the head of the family had the final say in the distribution

of income and benefits for the entire family.

It is therefore tempting to think that this sense of community rather than individualism would easily translate from the clan to the greater and wider benefit of the Territory as a whole. Elinor Ostrom in her book entitled, "Governing the Commons: The Evolution of Institutions for Collective Action," referred to this popular assumption as the "grand optimism expressed in group theory: that individuals with common interests would voluntarily act so as to try to further those interests."³⁷ However, it couldn't be more further from the truth. Mancur Olson debunked this theory in 1965:

The view that groups act to serve their interests presumably is based upon the assumption that the individuals in groups act out of self-interest. If the individuals in a group altruistically disregarded their personal welfare, it would not be very likely that collectively they would seek some selfish common or group objective. Such altruism, is, however, considered exceptional, and self-interested behavior is usually thought to be the rule, at least when economic issues are at stake; no one is surprised when individual businessmen seek higher profits, when individual workers seek higher wages, or when individual consumers seek lower prices. The idea that groups tend to act in support of their group interests is supposed to follow logically from this widely accepted premise of rational, self-interested behavior. In other words, if the members of some group have a common interest or objective, and if they would all be better off if that objective were achieved, it has

³⁷ Elinor Ostrom, *Governing the Commons: The evolution of Institutions for Collective Action* (Cambridge, England: Cambridge University Press, 1990), 5.
http://www.kuhlen.name/MATERIALIEN/eDok/governing_the_commons1.pdf

been thought to follow logically that the individuals in that group would, if they were rational and self-interested, act to achieve that objective.

But it is not in fact true that the idea that groups will act in their self-interest follows logically from the premise of rational and self-interested behavior. It does not follow, because all of the individuals in a group would gain if they achieved their group objective, that they would act to achieve that objective, even if they were all rational and self-interested. Indeed, unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests. In other words, even if all of the individuals in a large group are rational and self-interested, and would gain if, as a group, they acted to achieve their common interest or objective, they will still not voluntarily act to achieve that common or group interest. The notion that groups of individuals will act to achieve their common or group interests, far from being a logical implication of the assumption that the individuals in a group will rationally further their individual interests, is in fact inconsistent with that assumption...

If the members of a large group rationally seek to maximize their personal welfare, they will not act to advance their common or group objectives unless there is coercion to force them to do so, or unless some separate incentive, distinct from the achievement of the common or group interest, is offered to the members of the group individually on the condition that they help bear the costs or burdens involved in the achievement of the group objectives. Nor will such large groups form organizations to further their common goals in the absence of the coercion or the separate incentives just mentioned. These points hold true even when there is unanimous agreement in a group about the common good and the methods of achieving it.

*The widespread view, common throughout the social sciences, that groups tend to further their interests, is accordingly unjustified, at least when it is based, as it usually is, on the (sometimes implicit) assumption that groups act in their self-interest because individuals do. There is paradoxically the logical possibility that groups composed of either altruistic individuals or irrational individuals may sometimes act in their common or group interests. But, as later, empirical parts of this study will attempt to show, this logical possibility is usually of no practical importance. Thus the customary view that groups of individuals with common interests tend to further those common interests appears to have little if any merit.*³⁸

According to Ostrom:

Olson's argument rests largely on the premise that one who cannot be excluded from obtaining the benefits of a collective good once the good is produced has little incentive to contribute voluntarily to the provision of that good. His book is less pessimistic than it is asserted to be by many who cite this famous passage. Olson considers it an open question whether intermediate-size groups will or will not voluntarily provide collective benefits. His definition of an intermediate-size group depends not on the number of actors involved but on how noticeable each person's actions are.

³⁸ Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Massachusetts: Harvard University Press, 1965), 1-2. <http://outsidethetext.com/archive/Olson.pdf>

The tragedy of the commons, the prisoner's dilemma, and the logic of collective action are closely related concepts in the models that have defined the accepted way of viewing many problems that individuals face when attempting to achieve collective benefits. At the heart of each of these models is the free-rider problem. Whenever one person cannot be excluded from the benefits that others provide, each person is motivated not to contribute to the joint effort, but to free-ride on the efforts of others. If all participants choose to free-ride, the collective benefit will not be produced. The temptation to free ride, however, may dominate the decision process, and thus all will end up where no one wanted to be. Alternatively, some may provide while others free-ride, leading to less than the optimal level of provision of the collective benefit. These models are thus extremely useful for explaining how perfectly rational individuals can produce, under some circumstances, outcomes that are not "rational" when viewed from the perspective of all those involved.

What makes these models so interesting and so powerful is that they capture important aspects of many different problems that occur in diverse settings in all parts of the world. What makes these models so dangerous -when they are used metaphorically as the foundation for policy -is that the constraints that are assumed to be fixed for the purpose of analysis are taken on faith as being fixed in empirical settings, unless external authorities change them. The prisoners in the famous dilemma cannot change the constraints imposed on them by the district attorney; they are in jail. Not all users of natural resources are similarly incapable of changing their constraints. As long as individuals are viewed as prisoners, policy prescriptions will address this metaphor. I would rather address the question of how to enhance the capabilities of those involved to change the constraining rules of the game to lead to outcomes other than remorseless tragedies.³⁹

Ostrom suggested that rather than having an external or central authority to control or regulate the economic resources of a shared common space, i.e., a fishing ground, the interests of all the various fishermen would be best served if they regulated themselves. She also used a herd metaphor to explain:

The herders, who use the same meadow year after year, have detailed and relatively accurate information about carrying capacity. They observe the behavior of other herders and have an incentive to report contractual infractions. Arbitrators may not need to hire monitors to observe the activities of the contracting parties. The self interest of those who negotiated the contract will lead them to monitor each other and to report observed infractions so that the contract is enforced. A regulatory agency, on the other hand, always needs to hire its own monitors. The regulatory agency then faces the principal-agent problem of how to ensure that its monitors do their own job.⁴⁰

The key to my argument is that some individuals have broken out of the trap inherent in the commons dilemma, whereas others continue remorsefully trapped into destroying their own resources. This leads me to ask what differences exist between those who have broken the shackles of a commons dilemma and those who have not. The differences may have to do

³⁹ Ostrom, 6-7

⁴⁰ Ostrom, 17

with factors internal to a given group. The participants may simply have no capacity to communicate with one another, no way to develop trust, and no sense that they must share a common future. Alternatively, powerful individuals who stand to gain from the current situation, while others lose, may block efforts by the less powerful to change the rules of the game. Such groups may need some form of external assistance to break out of the perverse logic of their situation.

The differences between those who have and those who have not extricated themselves from commons dilemmas may also have to do with factors outside the domain of those affected. Some participants do not have the autonomy to change their own institutional structures and are prevented from making constructive changes by external authorities who are indifferent to the perversities of the commons dilemma, or may even stand to gain from it. Also, there is the possibility that external changes may sweep rapidly over a group, giving them insufficient time to adjust their internal structures to avoid the suboptimal outcomes. Some groups suffer from perverse incentive systems that are themselves the results of policies pursued by central authorities. Many potential answers spring to mind regarding the question why some individuals do not achieve collective benefits for themselves, whereas others do. However, as long as analysts presume that individuals cannot change such situations themselves, they do not ask what internal or external variables can enhance or impede the efforts of communities of individuals to deal creatively and constructively with perverse problems such as the tragedy of the
⁴¹
commons.

This leads to the question, “What are the internal and external factors or variables that are inhibiting Samoans from getting ahead versus the Asian minority who have somehow maximized the benefits of entrepreneurship in American Samoa? The factors of American Samoa’s remote location, devastating hurricane seasons, and limited transportation options can no longer be used as excuses for the lack of economic development in the Territory because everyone has the same access to the resources and benefits afforded to the local population and even more so for those of Samoan ancestry.

Perhaps one of the obvious answers that many Samoans themselves admit as a reason for their economic woes has to do with certain aspects of their culture particularly the expensive or burdensome “fa’alavelave.” Even though they are under the umbrella of the United States, the largest capitalist and richest country in the world, American Samoans have their own unique culture and way of life manifested in their socio-political system of governance. They are a self-governing

⁴¹ Ostrom, 21

territory of the United States. The land is communally owned by the chiefs and their clans. As such, there exists some form of feudalism today. Once can build his or her house on a plot of land that the chief has designated for him or her in exchange for his or her service and contributions to the chief's and the clan's fa'alavelave. A "fa'alavelave" literally means "an emergency" or "a burden" in Samoan. It can be any significant milestone or event in the life of a person ranging from a wedding, a funeral, a house blessing, a graduation party, a church dedication, the installation of a new chief, a birthday party, or even a baptism. People not only give out of the goodness of their hearts but more importantly, it is customary to expect your relatives, friends, and loved ones to contribute money, food, or other customary gifts such as fine mats to your fa'alavelave and vice versa. The more obligatory part of the fa'alavelave is the "saoga mea" or the collection which is often decreed. Not only does the culture engage in saoga mea but also the Church. It has a paralyzing effect on each and every family's economic situation because public shame is inflicted upon individuals or families who do not donate to a fa'alavelave.

In recent decades, the practice of saoga mea or gift giving has gotten so out of hand that there were talks among the American Samoa Governor's Administration to find a solution to the problem. "According to the Governor's Executive Assistant, Iulogologo Joseph Pereira, this issue is being discussed on a broader basis to determine the best course of action that is acceptable to everyone to reduce the financial burden placed on families because of the cultural custom of gift giving or donations for fa'alavelave."⁴²

Perhaps it is related to what Scott Cook calls " 'structural substantivism,' i.e., the view that the economy, as a function of society, provisions society by maintaining social relations or the social structure regardless of the degree to which the material needs of a given population are satisfied. It is predicated on the assumption of a dichotomy between cultural forms and concrete

⁴² Joyetter Feagaimaalii-Luamanu, "Burden of Fa'alavelave is Concern to Lolo Admin: Issue only in Discussion Stage So Far – For Possible Solutions," *Samoa News*, July 15, 2013 (<http://www.samoanews.com/node/76103>).

human activity in which the former take precedence in analysis over the latter.”⁴³

Because of the communal way of life in Samoa, the economy appears to be second nature to it. The economy serves the culture and a very expensive and burdensome aspect of the culture is the fa’alavelave, deeply rooted in Samoan history and tradition. No one is exempt from it unless a person cuts himself or herself off from their own people and culture. Some Samoans have even purposely married outside of their race, leased their own piece of land apart from the communal land, or moved off island to avoid fa’alavelave but no matter where a Samoan lives in this world, he or she will always be connected to the culture in some way, shape or form.

When asked, “Does the Fa’a-Samoa (Samoan way of life or culture) have any positive or negative impact on the economy, this is what Keniseli Lafaele, the Director of the American Samoa Department of Commerce had to say, “If the Fa’a-Samoa (Samoan way of life) to you means spending now on fa’alavelave and not invest in business development or invest in one’s education or improving trade skills, etc., the Fa’a-Samoa in this sense bears negatively on one’s development or collectively bad for the Territory’s economy. Certain aspects of Fa’a-Samoa like living in peace, alofa (love) to your neighbor or being loyal to your country, are values that contribute to political stability which is essential to economic development and the growth of a country.”⁴⁴

6. CONCLUSION

This thesis originally sought to find new ways for American Samoa to improve its struggling economy. Through a public survey on Facebook, it was discovered that people had many ideas but these ideas can only fall on deaf ears if the real “secret” or underlying problem is not rooted out and addressed. Many people complained that the culture and the many fa’alavelave are to

⁴³ Scott Cook, ‘Structural Substantivism’: A Critical Review of Marshall Sahlins’ Stone Age Economics,” *Comparative Studies in Society and History*, Vol. 16., No. 3 (1974), 355-356 (<http://www.jstor.org/>).

⁴⁴ Keniseli Lafaele, email to author, August 27, 2014.

blame. Families are stretched beyond their means due to the constant obligations to contribute money or donate gifts to their chiefs, their clans, and their churches.

What this thesis unraveled is a powerful dynamic at the heart of the problem. The answer or secret has been right under the noses of the Samoan people after all. Despite its remote location, limited transportation avenues, its hurricane seasons, and other challenges, Asians (a minority in American Samoa) have found a way to maximize the benefits provided by this territory of the United States. The real problem is that Samoan people are too caught up in the fa'alavelave aspect of their Fa'a-Samoa (Samoan culture) that they have primarily neglected their own personal investments. It is like the case of a bank account. People are poor because they cannot save money. All of their incomes go to fa'alavelave and there is very little left over. They rely on the generosity of their community to take care of their needs. Everyone is closely tied to this structure and it is very difficult to break unless the Government as an agent of change takes drastic measures to remedy this situation.

Perhaps then and finally then will American Samoa start to invest in their collective economic well being rather than force their people to sacrifice everything they have on the altar of culture and tradition that leaves many of them impoverished. All the other factors or ways to improve American Samoa's economy hinge upon the cultural grip on money and wealth. It requires a cultural revolution. American Samoans need to free themselves from this burdensome practice and channel their energies and resources towards investing in entrepreneurship and other means of improving their economic situation. The stakes are too high and unlike the American Samoan economy, the global economy does not worship the Samoan culture.

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