

# **Native Socio-Economic Development in Canada: Change, Promise and Innovation**

**Native Issues No. 2**

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**edited by Paul Kariya  
1989**

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**The Institute of Urban Studies**





THE UNIVERSITY OF  
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**FOR INFORMATION:**

***The Institute of Urban Studies***

The University of Winnipeg  
599 Portage Avenue, Winnipeg  
phone: 204.982.1140  
fax: 204.943.4695  
general email: [ius@uwinnipeg.ca](mailto:ius@uwinnipeg.ca)

*Mailing Address:*

***The Institute of Urban Studies***

The University of Winnipeg  
515 Portage Avenue  
Winnipeg, Manitoba, R3B 2E9

**NATIVE SOCIO-ECONOMIC DEVELOPMENT IN CANADA: CHANGE, PROMISE AND INNOVATION  
Native Issues No. 2**

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## INTRODUCTION

The 1980s have been a period of change for the Indian reserve landscape, with much of the change occurring as a result of actions in the political arena. Major land claims settlements have been negotiated and sympathetic court decisions have influenced governments to alter policies (e.g., the Nowegijick Case and taxation). Despite the failure in achieving a constitutional amendment, a high point of the political process during the 1980s was when Native leaders met formally with Canada's first ministers to discuss issues pertinent to Indian self-government. It is this type of dialogue which must continue if progress is to be sustained.

While improvements in Indian reserve level of living and political changes have been achieved, the agenda is full of items which require addressing if Indian people in Canada are to participate in the just society. As an example, the following Table illustrates an alarming trend in Indian labour force activity. While the participation and unemployment rates in the non-Indian population have improved slightly between 1981 and 1986, the reverse has been the case for Indian people. On-reserve, the participation rate has improved by 4 percent while the unemployment rate has increased by 17 percent! Similarly, while the off-reserve participation rate has declined slightly, the unemployment rate has deteriorated by 15 percent over the 5 year period between the 1981 and 1986 censuses; deep structural problems continue to exist within Indian reserve economics. The pressure of a large young

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Labour Force Activity Comparisons  
1981-1986 Census (%)

	Indians		Non-Indians
	On-Reserve	Off-Reserve	
Participation Rate			
1986	43	54	67
<u>1981</u>	<u>39</u>	<u>56</u>	<u>65</u>
Change	+4	-2	+2
Unemployment Rate			
1986	35	31	10
<u>1981</u>	<u>18</u>	<u>16</u>	<u>7</u>
Change	+17	+15	+3

Source: Economic Development Directorate, Department of Indian Affairs and Northern Development, Ottawa, 1989.

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population coming into the labour force age group (15 to 64) is beginning to illustrate this fragility on-reserve. The challenge is a massive requirement for education and training programs and jobs for youth, the product of what demographers have labelled an echo baby boom in the Indian population. On top of this influx of youth into the labour force, the recipients of Indian status under the Indian Act amendments of 1985 (Bill C-31) will also put pressure upon Indian reserve economies. Off-reserve, the picture is similar to the situation on-reserve.

Therefore, while land claims and self-government issues will continue to be important in the 1990s, there are immediate pressures to make strides in the area of Indian economic and employment development. Obviously, there are connections and interdependencies between land claims, self-government and economic development.

It was with a view to examining and exploring some of these issues that a paper session entitled "Native Socio-Economic Development" was organized for the annual meeting of the Canadian Association of Geographers in Halifax in June, 1988. Out of the discussion, the first formal session of this type among geographers, a commitment was forged to establish a speciality or study group under the auspices of the Canadian Association of Geographers to continue examining the issues. In addition, it was thought to be important that the papers read at the session should be reproduced for a larger audience. The following four papers, Volume 2, in the Institute of Urban Studies' new Native Issues series, reviews change, promise and innovation related subjects while the four papers in Volume 1 examine adaptation, accessibility and opportunity topics in the arena of Indian socio-economic development.

The paper by Lockhart reports on a pilot computer communications project for isolated villages which is sensitive to traditional community-based information sharing and consensus generating mechanisms. Wolfe, Cunningham and Convey report on empirical work which illustrates the strength and viability of micro-enterprises on Indian reserves. McArthur's paper outlines developments in the area of aboriginal economic development institutions. He challenges some of the existing dogmas regarding dependency theory and a culture of poverty. House's paper was not presented at the Halifax session, but it complements the theme of this volume. Drawing comparisons between Newfoundland outports and Native communities, he puts forth an interesting model of possible integrated development.



# FINDING A COMMON VOICE: THE NATIVE COMPUTER COMMUNICATIONS NETWORK PROJECT

Alexander Lockhart  
Department of Sociology  
Trent University

## BACKGROUND ISSUES

Ever since the collapse of the European imperial system following the second World War, the "under-developed" people of the world have been preoccupied with the task of achieving higher levels of economic performance and political autonomy. In pursuing this quest, many were prepared to accept the doctrines of the economic development model that had become the conventional wisdom of the leading industrial powers. This so-called "convergence model" provided an either/or choice between the alleged stagnation of traditionalism and the promised progress of modernization. It was then argued that in order to modernize, an under-developed area would have to: (1) espouse the "relative advantage" doctrine of seeking maximum integration into a highly product specialized and consumer oriented world market system (Johnson, 1977); and (2) abandon the cultural particularisms of the past in order to embark upon a time-compressed journey through the prescribed acculturation "stages" (Rostow, 1960), ultimately to emerge as a clone of the Western world's culturally universalistic "Industrial Man" archetype (Kerr et al., 1964).

However, after several decades of uncritical acceptance, the credibility of this narrowly economic determinist model came into question as a consequence of its manifest failure to produce the promised results. But even more devastating to the credibility of the convergence theory of development were the examples of alternative Third World development that proved to be more consistently, if not always dramatically, successful. In most of these more positive cases, economic diversification rather than product specialization, and cultural preservation rather than assimilation into industrial society's "one dimensionality," characterized the alternative approach.

Indeed, by the 1970s the shortcomings of the conventional development wisdom was sufficiently apparent to give rise to a counter position which identified the original convergence theory as little more than a formula through which the neo-colonialist form of economic hegemony replaced the paternalistic dependency of direct colonial administration (e.g., Clement, 1977; Frank, 1971; des Santos, 1970 and Wallerstein, 1974). While the original fulcrum upon which this "new dependency theory" was levered into prominence focused upon Third World underdevelopment, it was not long before these same "metropolis"-dominant vs. "hinterland"-dependent concepts were employed in explaining the persistence of disparities within Canada's own peripheral regions (Matthews, 1983 and Rea, 1968) and

among its marginal populations, particularly Natives (Usher, 1970 and Watkins, 1977). By the 1980s, the credibility of the conventional economic development wisdom suffered further as serious anomalies between economic performance and culturally promoted expectations began to emerge within the metropolitan heartlands themselves. While the initial response to the disquieting evidence of the West's declining economic performance was the application of classically conservative remedies, it is now apparent that this "lean and mean" reaction has only served to increase awareness of the vulnerability that attends excessive dependency upon some one else's economic decision-making.

Thus, it is not surprising that those who have experienced chronic under-development are increasingly sceptical of those theories that argue for high levels of economic and cultural integration with what some are now calling the "over-developed" centres of power. Further, those who have experienced the socially destructive effects of rapid acculturation are even more convinced that their economic development strategies must reinforce, rather than dilute, geo-culturally defined autonomy. While these challenges to the conventional development wisdom originated within former third-world colonies, the last decade has seen a proliferation of applications along with a serious effort at codifying methods and practices within Canada. One consequence of these demonstration and model building projects has been the growing support provided to alternative development initiatives by such mainstream development promoting agencies as Canada Employment and Immigration (e.g., Innovations Programme) and the Economic Council of Canada (e.g., Task Force on Community Based Development).

The following is an account of one such project. It addresses the creation of an culturally appropriate information and communication technology through which Canada's unquestionably most geo-culturally distinctive as well as under-developed people may operationalize their traditional community-based information exchange and consensus generating style within the now more potentially opportune aboriginal policy environment. For, as Freire (1984) has persuasively argued, unless those seeking to escape the dependency of the past can find a common voice, the well-intentioned road to de-colonization all too often leads not to some reasonable level of economic and cultural autonomy, but rather to assimilation for the few and even greater marginalization for the many.

## **PROJECT OVERVIEW**

The Native Computer Communication Network (NCCN) project came into being as the result of collaboration between Employment and Immigration Canada's Innovations Programme and York

University's Native/Canadian Relations Theme Area. The project brought together within a unique interdisciplinary project organization three kinds of normally well insulated systems of knowledge: those with extensive experience in alternative models of development, those with intimate knowledge of Native cultural and political-economic issues, and those with technical competence in communications and computer systems.<sup>1</sup> The common goal was to develop a culturally appropriate information and communication system that would assist Natives to take advantage of the window of opportunity for independent development that has emerged as a consequence of a changing aboriginal policy environment. Under past policies, Native organizations were obliged to adopt the organizational styles that were consistent with the bureaucratic system of aboriginal administration. Unfortunately, these styles were inconsistent with Native cultural traditions and, to a very significant degree, antagonistic to autonomous development aspirations and needs. However, the current federal governmental posture appears to have abandoned the paternalism of the past in favour of devolutionary policies aimed at transferring control over entitlements and resources to the Native people themselves. To the extent that this opens up the real possibility of culturally consistent development, the acculturated Native organizational adaptations of the past, including their information and communication systems, are increasingly perceived by their own constituencies to be inappropriate.

A review of the information and communication systems available to and utilized by Native organizations revealed a very high level of latent convergence and assimilationist elements (see Carmack, 1983 for a salient example). As a consequence, the NCCN project has taken as its most fundamental task the development of an information network system that specifically links traditional Native values to an autonomous information and communication capability. The resulting instrument thus represents an alternative to those existing information and communication systems which contain dependency reinforcing structures.

#### **THE CONTEXTUAL DIMENSION**

After considerable background research and discussions with Native individuals and organizations, the following contextual observations were highlighted as a guide to system development:

- The evolution of communication and information technology has closely followed changes in the dominant organizational modes through which economic opportunities and development planning have been articulated within mainstream society.
- Although the advent of computer technology offered exceptional potential for the development of diversified information and communication modes articulated to the

particular needs of culturally distinct groups, computer application development has largely reflected the centralized organizational and privatized personal values that characterize the mainstream society's dominant developmental ideology.

- To the extent that Native Canadian culture reflects decentralized organizational styles and communitarian personal values, and to the further degree that Native development goals seeks to escape dependency upon mainstream institutions, none of the well-established communication and information models would appear to be suitable.
- From a Native Canadian perspective, the so-called community-based economic development model (CED) has a proven record as a culturally relevant planning model. However, given this developmental approach's reliance upon open-ended and unstructured communication among often widely dispersed "stakeholders," an organizationally appropriate (i.e., distributed system) and culturally relevant (i.e., consensus generating) information and communication network would be a desirable instrumental adjunct. While some distributed networking technology has been developed for highly specialized technical users, no available system meets the requirements of Native people.

Since the above itemization of the problem context implies the need for a carefully articulated application of interdisciplinary perspectives, the following "Theoretical Perspectives" discussion summarizes how the critical path was traced between the *organizational* and *technological* options, on the one hand, and the *cultural* imperatives on the other.

## THEORETICAL PERSPECTIVES

### ECONOMIC DEVELOPMENT AND ORGANIZATION MODELS

The so-called "modern industrial" era has produced three basic organizational forms that are specifically articulated to the economic developmental function. These may be typologized as the *entrepreneurial*, the *corporate-bureaucratic* and the *community-based* models.

The entrepreneurial model tended to dominate the early period of industrialization. It remains the idealized micro-economic model among theorists of market-driven economics. This development strategy places great emphasis upon the individualistic vision of autonomous, profit-motivated entrepreneurs as they respond to market signals. Postulates that inform the entrepreneurial model include: (1) the notion that competitive advantage accrues to those who demonstrate greater innovation and efficiency, (2) the presumption that these virtues not only increase profit for the entrepreneur but provide wider choices at lower prices for the consumer, and (3) the assumption that the unrestricted pursuit of private gain is also the surest means of achieving optimal public allocations.

Although entrepreneurial organization continues to play a role in Western-world economic development, it has lost its dominant position as the complexity and scale of industrial development forced a shift away from fast-response competitiveness toward long-term planning and professional management. As a consequence, the corporate-bureaucratic organizational mode achieved a vastly expanded span of central control by replacing the particularistic and flexible managerial style of the entrepreneurial model with the universalistic and formally structured information and communication system that is characteristic of the need for centralized co-ordination.

In terms of communication linkages, the entrepreneurial form emphasizes the interdependency of administrative and operational functions while the corporate-bureaucratic form emphasizes the dependency of peripheral operations upon central management decision-making. Given these distinctions, it is not surprising that the success of the bureaucratic form of organization is greatest under conditions of political-economic stability and convergent cultural development and is least when the socio-economic environment is characterized by turbulent change and social value divergence.

The third organizational form tends to emerge when the cultural and economic instability produced by large-scale corporate investment or disinvestment impacts exceeds the social adaptability limits of some stable, or stability seeking, population. This community-based economic developmental (CED) approach represents a communal, as distinct from individual, response to socio-economic developmental need. As a consequence, CED emphasizes the critical linkage between individual and community wellbeing (Ross & Usher, 1986). Since CED is primarily a reaction against the insensitivity of corporate or state planners to local needs, this developmental model demands a high level of "stakeholder" participation in the planning and implementation of self-reliant as distinct from dependency producing forms of economic development (Lockhart, 1985). Because development is seen to be relevant only if it meets a community consensus about the overall quality of life, CED focuses upon social and political as well as more economic cost-benefit criteria (Lockhart, 1987).

A particularly critical aspect of CED's process orientation is the "action learning" and "action research" information and communication exchange concept. Whereas the corporate information system is most typically based upon universalistic forms of knowledge--with the "expert" at the centre shaping and managing the flow of information to and from the periphery--the action learning approach seeks to diffuse the teacher/learner role distinction and views locally particularistic knowledge as a critically important source of developmental information (Lockhart, 1982 and Roberts, 1979).

This communitarian sharing of knowledge, which is achieved through such well developed techniques as "search conferencing," achieves a number of outcomes that are normally missing from the other developmental modes. In particular, this form of developmental planning encourages innovative as distinct from regulated approaches to problem definition and solution. The learning that takes place is public and emphasizes collective as distinct from individual costs and benefits. As a consequence, "ownership" of the problem and "responsibility" for its solution cannot be so easily delegated to, or co-opted by, outside agents.

Perhaps most important of all, the action approach encourages participants to overcome the "culture of silence" (Freire, 1984) that typifies the apathetic life-style and feeling of hopelessness so characteristic of those who have for too long lived under conditions of social and economic marginality.

Thus, of the three organizational models, CED is the only one to shift the "dependency" versus "self-sufficiency" question from field to figure in the economic developmental process. Whereas both entrepreneurial and corporate-bureaucratic organization accept the fundamental economic deterministic assumption that profit maximization must be *pursued* without any significant regard for social dislocation, CED seeks to create and then maintain viable economic opportunities within some prior definition of stable community. It is, of course, the negative impacts of highly mobile economic development upon fixed communities, regions or cultural groups which have been widely identified as diminishing "self-sufficiency" and increasing "dependency" for those who cannot, or choose not to, change their ways and/or move to new locations (Matthews, 1983).

Perhaps because of this sensitivity to the sources of economic dependency, the CED organizational approach to development has proved itself most successful in contexts where community-centred culture has persisted despite the progressive loss of economic independence. The highly successful Spanish Mondragon CED experiment is perhaps the most celebrated (Clamp, 1987), but by no means isolated, example of the potential of the CED approach to spawn self-reliant economic development in circumstances where more conventional developmental efforts have only deepened a community's dependency relations.

## THE INFORMATION AND COMMUNICATION TECHNOLOGY OPTIONS

In its original mainframe stage, computer technology was so expensive that only large organizations could afford to utilize it. Not surprisingly, the software developed to serve the needs of these organizational systems directed the computer's thought and communication modes in a way

that reflected the central control needs of the bureaucratic organization. This phase of computer application may be described as the "satellite model" where the central planet (H.Q. mainframe operation) determines the shape and directs the flow of information to and from those more peripheral bodies within its gravitational field.

With the advent of low cost micro/personal computers, commercial interest in developing software catering to the independent user rapidly expanded. With this popular "out of the can" software and a bit of instruction, smaller entrepreneurial organizations discovered they could achieve most of the routine processing advantages formerly available only to the larger corporate organizations. Still more recently, micro-computer software development has focused on less routine functions. For example, computer assisted design and manufacture (CAD-CAM) supports the more creative side of the entrepreneurial enterprise. Some "Futurists" have even argued the reversing of organizational history and forecast a massive return to a computer-linked, hi-tech cottage industry (though others see only the contracting-out of corporate management support functions). This stage of software development may be described as the "stand alone" model, where the entrepreneur acquires a personally manageable technical support to defend his fast diminishing independent economic turf against corporate encroachment.

However, a corollary observation regarding the commercial software development for micro-computer application is the lack of interest in exploiting the basic hardware's interactive information exchange networking capability. With the exception of Local Area Networks (LAN), which is really an intra-organizational communication concept, innovation in the direction of open networking has been largely limited to computer literate academics and experimenters seeking a working system capable of meeting their own work community need for an organizationally unmediated communication system.

While these systems created by and for those already in possession of technical expertise could not be expected to appeal to more popular application, it is clear that in the absence of commercial software suitable to their needs, these experimenters have developed a prototypical technology that reflects the assumptions of the community-based development model. In essence, what has been experimented with is an open style of communication which encourages voluntary "stakeholder" participants to pursue a genuine consensus generating approach to defining their own collective interests and in shaping the resulting discourse in such a way as to maximally empower all those who participate.

This mode of information exchange can be identified as the "distributive" model in which each node in the net is equally free to receive or to initiate an exchange, and where technical protocols as well as the system's ethics and etiquettes are user determined in accordance with the value preferences and social experiences of those participating.

### THE NATIVE CULTURAL IMPERATIVE

To argue that there is a single Native culture in Canada today would be to distort grossly a reality that can only be understood in terms of diverse adaptations to a common condition of prolonged economic dependency and political disempowerment. Having noted this, however, it can also be stated without much fear of contradiction that Native Canadians for the most part share two traditional cultural characteristics which have survived, and indeed, may well have been reinforced by, earlier efforts either to assimilate them into or isolate them from the mainstream culture. The first of these characteristics is their retention of strong *communitarian* values. The second is their desire to engage in forms of development, however these may be divided between traditional or modern, that ensure a maximum degree of self-determination.

While the process of cross-cultural accommodation still has some distance to go, recent years have seen a major shift in the mainstream society's willingness to abandon the paternalistic policies of the past. In particular, current aboriginal policies encourage Native people to decide for themselves how they wish to balance their development between participating in mainstream opportunities and/or creating their own distinctive economic development strategies. While this is encouraging, from a Native Canadian perspective some formidable obstacles still must be overcome. Leaving aside the political and legal issues relating to the settlement of claims, there remains a major information and communication problem that promises, if not resolved, to subvert the current window of opportunity which the "devolution" policies of the Canadian government offers. This problem is in part a result of the low population density and wide geographic dispersion of Native communities and in part a reflection of the lack of resolution of the Native constituency's common (First Nations level) and separate (community level) interests—a resolution that is likely to occur only if the community level communication and consensus generating styles can be extended to the regional and national organization levels.

It was on the basis of this more general understanding of the relevant organizational, technical and cultural factors that the specific instrumentalities of the NCCN project were developed.



## SYSTEM DEVELOPMENT--THE CONCEPTUAL DIMENSIONS

In purely technical terms, any more or less regularly linked set of terminals may be called a computer network. However, computer nets, no less than face-to-face networks, also must be understood in terms of their *sociological* dimensions. That is to say, networks may differ with respect to criteria of membership, whether members are actively or passively related, the locus of formal control over information categories and contents, and the normative environment through which the system's own ethics and etiquettes serve to informally regulate the information exchange process. In short, networks, like any other social arrangement, are intrinsically cultural in character.

With these basic concepts in mind, the Project's first concern was to determine the specific information needs and communication preferences of the target population. Considerable research and much consultation with representatives of the target population revealed the following characteristics as relevant to system development:

- Among Native people the value of information is enhanced and its action implications better accepted to the degree that such information is widely shared within the relevant community (the consensus tradition). Alternatively, in Native culture, information that is seen to emanate either from highly centralized bureaucratic organizations or esoteric professional sources is considered to be alien and hence tends to be ignored, even when it is valid.
- The Native labour market and economic development environment have characteristics which differ sharply from those of the mainstream culture. In particular, informal communications and local criteria are preferred.
- A very substantial proportion of effective Native job training proceeds on the basis of internal information exchange and increasingly self- or jointly-administered training programmes.
- Community-based approaches, which include cultural and social accountability factors and engender local participation in and ownership of the planning and implementation process, have been identified as major success factors in Native economic development.
- There is widespread distrust of professional services that are not conspicuously open to the "validation" of Native experience or which do not promise an eventual transfer of control.
- Relationships of trust between the majority of Natives living in their own communities and the more centralized Native organizations tend to be weak and short-lived as the latter are forced, for lack of alternatives, to adopt the mainstream culture's information and communication styles. Since it is these styles which are equated with the external controls that have produced dependency, any Native organization that adopts them

becomes suspect within its own constituency. (See Lockhart, 1982, Lockhart and McCaskill, 1986 and Lockhart and McCaskill, 1988 for a more detailed discussion of these six characteristics).

The possibility of adapting some existing network technology to operationalize these conceptual dimensions was initially explored. The most commonly available network technology is based upon the "star" concept. In this model a system centre gathers the information, controls its communication to peripheral users (the points of the star) and maintains the system. In short, the technical imperatives of this kind of network would undercut virtually all the project goals.

Among the alternative possibilities, the one that best met the project goals was the "distributed" network system. Because in this model there is no centre, each node in the net receives all the information entered into the system and is free to initiate or respond at will. Not only is the information and its control distributed but so, too, are the communication costs as each member pays only the relay charges to or from the nearest neighbour. Thus ownership, costs and the system's "culture" (operational ethics and etiquettes) are fully controllable by the members of the net.

Unfortunately, examples of this kind of network were limited to "communities" of academics, scientists and computer technicians themselves. While the concept was strong the technological development was weak in terms of both the high level of sophistication required to operate it and its reliance upon large mainframe systems. This limitation was based upon the necessity for each node in the work having sufficient capacity to hold the system's entire information base. While the recent and anticipated expansion in micro-computer permanent memory storage capacity (hard disks) offered a partial solution, the need for major improvements in software to handle automatic transfers and shifting of little used material into deep storage centres as well as guiding abstracting and forwarding of deep stored full-text material would be also required.

## SYSTEM DEVELOPMENT—THE TECHNICAL DIMENSIONS

From a systems user perspective the outcomes of this major custom programming development is apparent in terms of both the ease of operation (so-called "user-friendliness") and in the range of network functions that the software automatically provides and in its capacity to be easily modified in accordance with the evolving needs of network members and in response to their cultural sensibilities. In its current "start up" configuration, the following functions and utilities are available:

1. *Mail*: The capacity for interactive mode messaging from any member to any other member on the net.

2. *File Transfer*: The capacity to "batch" large amounts of text to and from any node in the system.
3. *News*: The capacity to post and retrieve system-wide information under a number of "newsgroup" headings and sub-headings. Newsgroups can be open (all postings go directly into the net) or moderated (through a delegation of editorial function). A specific newsgroup posting can be identified as a subject for "conferencing".
4. *Networking*: Combining "News," "File Transfer" and "Mail" to assist an interactive interest group to discuss and co-ordinate action on specific issues or projects. This is the network function that offers the highest innovation potential.
5. *Gateways*: Direct access to other computer-based information systems and networks -initially, USENET.
6. *Utilities*: A built in text editor, printer dump, disk file copier, etc.
7. *Help functions*: On-line tutorials and command explanations.
8. *Auto Transfer & System Management*: Automatic relaying of new information and data management from node to node at the most cost advantageous periods. It is this background function which lies at the heart of the system concept.

When software is developed exclusively or primarily by those committed to a narrowly focused technical expertise, responding to those who seek to expand their scope of control, it is not surprising that user-friendliness and user control are compromised. The arcane nature of computer software documentation is already legendary. Any linguistic anthropologist would have no difficulty understanding this translation problem. In essence, it is very difficult to transfer differing value concepts across cultural boundaries even if a good vocabulary translation dictionary exists. Thus the attempt to translate the seemingly impermeable imperatives of the technical culture to the special knowledge needs of users who live in some other value context is bound to be problematic. Given this, it is noteworthy that in reversing the priorities so as to ensure that Native cultural factors took pride of place *in developing the software in the first place*, both the "user-friendliness" of the product and the ease of understanding of the associated documentation have been assessed as outstanding by the user group. This notwithstanding, the Project has also developed a Native run training programme.

## DATABASE DEVELOPMENT

Concurrent with the software development, project staff were assigned to search for and prepare an initial "sample" information base to be entered into the system. This was achieved in two ways. The first and most laborious task was the creation of a database containing abstracts of the 5,000 select documents and publications already housed in York University's Native/Canadian Theme Area resource centre library. This material had to be re-sorted and catalogued, then abstracts written and entered into the NCCN's on-line database (also available on floppy disks). When requested by an interested net member, the full publication could be forwarded by regular mail or through the system's file transfer function.

The second and overlapping task was the location of relevant material from many external sources. Short summary articles were then written to be inserted into the appropriate network "newsgroup". While the purpose of the distributed network is to promote the interactive sharing of user generated information, this initial information base provides not only the necessary "pump priming" for piloting but also a demonstration of how large volumes of information can be made available in economically compressed form by members to the system as a whole. Depending on how the users view the value of external (non-interactive) database sources, the system may be utilized to access and process such information.

## CONCLUSION

The NCCN project represents one response to a dilemma long experienced by Native Canadians. Given that the developmental approach so ubiquitously pursued by the dominant society embodies universalistic, convergent and privatized values, how should Natives pursue their need for alternative forms of development that incorporate their traditional particularistic, divergent and communitarian culture norms? There seemed to be no workable answer to this question as long as Canada's aboriginal policy limited the choice to either assimilation within the acculturating mainstream or marginalization within paternalistically administered "reservation" communities. However, with the recent shift to a devolutionary federal policy, Natives now have the opportunity to take greater control over their own development strategies along with better access to the necessary resource base -- provided a culturally appropriate consensus on ways and means can be established and communicated.

But in order to achieve this, an alternative to the acculturating elements lying latent within available information and communication network technologies needed to be developed. In particular, a system capable of extending the traditional community-based information sharing and consensus generating mechanisms was widely seen as a priority. Toward this end, the NCCN project has focused a wide range of conceptual and technical understandings upon the development of an intrinsically user-empowering alternative information and communication technology articulated to the specific needs of Native people seeking self-sufficient development options.

Only time will tell whether this instrument will help those who utilize it to find their own unique and independent voice in their efforts to avoid the substitution of one form of dependency for another.

**NOTES**

1. This interdisciplinary integration was in itself a major project achievement for which the principal investigator, Peter Homenuck and team manager, Mary Bernard must be given special credit.

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# **SUPPORTING NATIVE CANADIAN MICRO-ENTERPRISES: A SOUTHERN ONTARIO CASE STUDY**

Jackie Wolfe, Gordon Cunningham, Lynn Convey  
University School of Rural Planning and Development  
University of Guelph

## **INTRODUCTION**

There is a prevailing assumption that on-reserve Indian people are not engaged in productive economic enterprises outside of some traditional activities (Usher, 1976 and Usher, 1982) and those initiated and administered through band government or its spin-offs such as development corporations and co-operatives (Robinson, 1981; Nicholson and Onchioto, 1987). Traditions such as trading, barter and petty enterprise which had existed historically are presumed lost. Indian economic enterprise, the argument goes, does not exist. It has not been recorded or measured. Even comprehensive community plans, such as that for the Kettle Point and Stoney Point Indians (Institute of Environmental Research, 1981), prepared by an experienced consulting firm with close links to Indian communities, make no mention of it. In the absence of indigenous enterprises the corollary, of course, is that all band economic activity must be created anew, as projects through government funded programs using various organizational structures such as co-operatives and development corporations.

This paper challenges the basic assumption. There is widespread evidence of a hidden and informal economy, in North America (Nicholls and Dyson, 1983 and Ross and Usher, 1986) and especially in the developing world of Latin America, South East Asia and parts of Africa (Beck, 1988). The poor and the marginalized everywhere have ways of creating products and services they need in quantities and at prices they can afford, and have developed multiple ways of generating income.

Richard Sherman, an Oglala Sioux from South Dakota recently undertook a study of the informal economy of his home reserve of Pine Ridge. He uncovered more than ninety types of micro-enterprises. He also found that the businesses were not operating in isolation; they formed an intricate network of horizontal and vertical linkages (Sherman, 1988).

Anyone who has spent some time on a Canadian Indian reserve knows that micro-enterprises are operating. They are not labelled or advertised. They do not have to be. People in the community know well enough where to find the auto mechanic, the people who make crafts, sell small quantities of goods, run a taxi service, or, where the bootleggers can be found. But they are not easily recognized or found by outsiders. And band members themselves have not been encouraged to reveal the extent of these activities. Local people use them constantly, and participate routinely in the hidden economy but are unconscious of their strengths and importance. Further, band councils and administrators have been directed by economic analysts to assume that only large, sponsored projects

are significant economic activities. There may also be concern, as there is in the larger society, that the consequence of identification and measurement may be reduction in social assistance payments.

This paper, then, takes as its premise the existence of micro-enterprises on Indian reserves and sets out to identify the types, extent and characteristics of the enterprises, in the southern Ontario reserve of Kettle Point. It then examines a recent initiative by a non-governmental organization, the Calmeadow Foundation, to support the micro-enterprise sector of a reserve economy by making available small amounts of credit through a revolving loan fund.

The paper is presented in three main sections. The first reviews, briefly, interpretations of the informal and/or hidden economy and then looks in more detail at what is known from elsewhere about the characteristics and contributions of micro-enterprises. The second part examines the Kettle Point economy and current economic development strategy, and then presents the results of a survey of reserve micro-enterprises. The third describes the Calmeadow Foundation's loan scheme and discusses pros and cons of stimulating the micro-enterprise sector in light of the survey results.

## **MICRO-ENTERPRISES AND THE INFORMAL ECONOMY**

The terms informal or hidden economy have many meanings. To some economists, the informal economy refers to the traditional or subsistence or peasant component of a dual economy, and is discussed in relation to the modernized, industrial or commercial sector. To others, the hidden, or black or underground economy describes the array of illegal activities, from tax or licence avoidance to smuggling, gambling and prostitution, which governments seek to eliminate or control. Informal economy also refers to the many forms of non-monetized activity, such as unpaid household work and production of goods, mutual aid, voluntary activity, sweat-equity and non-cash exchange or barter of goods and services. For these, terms such as convivial, base or counter economy have been used (Wisner and Pell, 1982, Nicholson and Dyson, 1983 and Ross and Usher, 1986).

The informal economy may also refer to the network of small vendors, artisans, manufacturers and traders who are estimated to be anywhere from 30 to 70 percent of the labour force in parts of the developing world. Generally these operate non-legally, in the sense that they are unlicensed, unregulated, and pay no taxes. But they have legal objectives. They produce a legal good or service.

Some are essentially survivalist activities: that is, they enable individuals or families to exist from day to day by obtaining a small quantity of goods, food or cigarettes, at the beginning of the day and hawking them until they are sold. In Canada and on reserves, where the social security system operates as a basic safety net, survivalist activities are less likely to be widespread. Others are small-scale but substantial enterprises engaged in out of choice by entrepreneurs who use capital and

labour at a large enough scale to take the business beyond the immediate local or neighbourhood economy.

Between these two are micro-enterprises: small scale largely cash-based activities run by people who are doing it by choice, using their skills, experience and knowledge of local resources and community needs to seek out and serve a local market niche. Drawing heavily on research from developing countries, Ashe (1985) and others describe micro-enterprises as:

- individual or family enterprises located in or adjacent to the home, having small start-up and operational costs, oriented to local, often neighbourhood markets and applying an optimal mix of scarce capital, expensive energy and abundant labour;
- providing vital sources of income and employment for people disadvantaged in the wage economy through lack of formal education and skills training, or because household responsibilities or other aspects of cultural lifestyle, including the gender division of labour, exclude them from the wage economy;
- functioning as a significant source of entrepreneurial training and skills development for the disadvantaged;
- part of a complex net of linkages which generate products and services, employment and profit (Sherman, 1988);
- adaptive to changing personal and household circumstances, responsive to contractions and expansions in local markets, and resilient in the face of these changes (Beck, 1988).

The question is, then, what are the extent and characteristics of on-reserve Indian micro-enterprises, and what is their relationship to the reserve economy (Highland Resources, n.d.; Lockhart, 1986)?

## THE KETTLE AND STONEY POINT BAND ECONOMY

The Kettle and Stoney Point band occupies a reserve of 2,165 acres in Lambton County, Southwestern Ontario, on the shores of Lake Huron, forty kilometres northeast of Sarnia and eleven kilometres from Forest, population 2,700. In 1982 the band population was 994, with 741 people (approximately 75 percent) living on-reserve.

The band economy has several elements: transfer payments, both to the band government and to individuals in the form of social security, unemployment compensation and pensions; public sector wage employment, largely on-reserve, with band council or its affiliates; and off-reserve, largely seasonal, private sector wage employment. In addition there are likely to be unrecorded and unmeasured micro-enterprises and an informal non-cash exchange economy.

Formal economic development is co-ordinated by the band economic development officer and sanctioned by chief and council. The Comprehensive Plan (Institute of Environmental Research, 1981), Capital Planning Study (Dillon Consulting Engineers and Planners, revised 1986) and Kettle Point Economic Portfolio (Kettle and Stoney Point band, 1987) each initiated or carried forward components of band economic development initiatives. The initiatives are supported in a general way by the national level Native Economic Development Program (1983) and the provincial Corporate Affairs Policy Framework. The latter was implemented in 1987 to address the fact that Native people require particular programs and services which relate directly to their needs (Nicholson and Onchioto, 1987).

The Kettle Point band is currently engaged in no less than four major economic initiatives (Institute of Environmental Research, 1981; Dillon Consulting Engineers and Planners, 1986; Kettle and Stoney Point band, 1987 and Zarex Business Centre, 1987) namely:

1. **Band Development Commission:** emphasizing job training, job creation and income generation through construction and catering companies tendering for contracts primarily off-reserve.
2. **Industrial Mall:** plans exist for development of an industrial mall of serviced land, to be occupied by joint venturers with the purpose of generating band income through rents and business profits, and job creation, job training and individual income through wage employment. Incentives for joint ventures are presented as low labour costs because on-reserve generated incomes are not subject to personal income tax, and freedom from business taxes levied by municipal and upper levels of government. The industrial mall is presently stalled because the existing reserve water and waste disposal systems are inadequate to service the industrial land, and new capital funds have not been secured.
3. **Commercial Mini-Mall:** draft plans are in place for a mini-mall to house commercial enterprises serving the reserve. The purpose is to stem some of the substantial leakage of cash from the reserve to Forest and Sarnia by recirculating the dollars on-reserve through band member run or development commission businesses, and to create jobs on reserves. The mini-mall is designed to include stalls from which micro-entrepreneurs can sell their products.
4. **Support to band Entrepreneurs:** the economic development officer assists band members to access government programs designed to support Native businesses. The focus at Kettle Point has been further expansion of tourist oriented activities, including trailer parks, a marina, restaurants and food take aways. However, the tourist trade is highly seasonal, being concentrated in the three summer months.

Strategies to support Native entrepreneurs have been prompted nationally over the last five years, based on the expectation that entrepreneurs wish their enterprises to expand (Nicholson and Onchioto, 1987, p. 35), and a recognition that even small-scale increases in individual income can improve household income levels (Nicholson and Onchioto, 1987, p. 138). But the aspirations of Native

people are not necessarily to expand, create employment and generate larger profits, but to live more comfortably.

There is little evidence that the four initiatives are viewed as elements of an integrated economic development strategy; rather, each is a significant independent, not integrated, initiative and all are demanding of time and attention, management and co-ordination skills.

In the fall of 1987, a further element was added to the economic development picture when chief and council, through the economic development officer, sought to participate in the Calmeadow Foundation's pilot project extending credit to on-reserve Indian micro-enterprises.

## **KETTLE POINT MICRO-ENTERPRISE STUDY**

A two-part study was undertaken to provide base line data on aspects of the reserve economy. In the first part, information was sought about household composition, sources of income, types and periodicity of income generating activities, and amounts and location of household expenditures. The latter data indicated massive leakage of reserve dollars to Forest and Sarnia businesses for goods and services, ranging from upper order goods such as furniture and major appliances to lower order basic groceries: and bingo.

The second part of the study focused on existing micro-enterprises, their type, characteristics, the keeping of records, use of credit, plans for expansion, and problems and limitations. Micro-entrepreneurs were also asked whether they would be interested in obtaining a small loan at commercial interest rates, and whether they would be willing to join a "borrowers circle," a group of three to six band members, in order to guarantee the loans. Opinions were solicited about the wisdom of this proposal and what concerns people had about it.

The first questionnaire was administered, with the assistance of two young women from the band office, to fifty households comprising 194 people, or 26 percent of the on-reserve population. Forty-three percent of household members in the survey were under the age of twenty; only 4 percent were over the age of sixty-five, a fair reflection of the on-reserve age profile.

Of the 194 household members, 104 had brought some income into the household over the past year. Thirty seven gave wage employment off-reserve as their major source of employment; 4 had jobs on-reserve and 46 cited some form of social assistance as their major source of income in the year. Off-reserve employment was usually seasonal and short term and included work in construction, domestic work, food preparation, industry, education and transportation, in decreasing order of importance. Of the 21 people employed on-reserve, 13 were involved directly in band managed

activities, including 6 in band administration, 4 in the catering company and 3 in education. Others were employed in domestic work, as mechanics, in tourism, health and construction.

Another frequently cited source of income was a micro-enterprise. The survey uncovered 85 micro-enterprises operating over the last year in the 50 households interviewed. They ranged from fishing and wood cutting to crafts, carpentry, catering, baby sitting, house cleaning, taxi service and tax returns.

Fifty percent of the micro-enterprises, by far the largest proportion, provided services, primarily to people on-reserve. The next largest category, with 27 percent of the enterprises, was the primary sector, where fishing dominated. Secondary processing of the arts and crafts variety comprised 16 percent of the micro-enterprises. In addition there were 4 retailing businesses, made up of 3 little stores selling convenience goods and one craft outlet (Table 1). Eighty-five percent of the micro-enterprises were part time, usually seasonal.

People were also asked for their ideas about what sorts of micro-enterprises might be feasible at Kettle Point, given people's skills and perceived market niches. Table 2 lists 49 potential micro-enterprises suggested by band members.

Almost all adults derived income from more than one source over the course of a year. Several had more than three sources of income, including seasonal wage work, unemployment insurance benefits, and one or more micro-enterprises. Women were rather less likely than men to follow the

**Table 1**  
Kettle Point Micro-Enterprises by Economic Sector

Primary 27%		Secondary-Manufacturing 19%			Tertiary 55%				
		Assembly- Processing 2%	Arts and Crafts 16%		Retail 5%	Service 50%			
fishing	16	woodwork	1	sewing	2	convenience	3	tax return	1
basket/		cabinet		crafts	9	store/snack		carpenter	3
bush material		making	1	makes		bar		babysit	10
collector	1		2	sweaters	1	selling		construction/	
woodcutting	4			artist	1	crafts	1/4	contracting	2
hunting	2				13			bus driver	1
	23							homecare	2
								cooking/baking	3
								catering	1
								painting	1
								help at Bingo	1
								drafting	1
								mechanic	2
								autobody repairs	1
								house cleaning	6
								taxiing	1
								mover (truck)	1
								lawn maintenance	2
								car wash	1
								hair cutter	1
								guitar player	
								(gigs)	1
									42

**Table 2**  
Kettle Point Reserve: Potential Micro-Enterprises

- |   |                      |
|---|----------------------|
| Upholsterer   | Mini Maid            |
| Security (cottages, industrial & commercial, parks) | Painting             |
| Grass cutting (contracting), lawn care, parks       | Roofing              |
| Opening cottages & closing (cleaning both times)    | Snowplowing          |
| Baking (home and selling in parks, cottage areas)   | Chip wagon           |
| Home sewing (community on contract)                 | Ice cream wagon      |
| Arts & crafts (beading, leather cards, pictures)    | Bait selling         |
| Carpet cleaning & upholstery                        | Basket making        |
| Second time around (used clothing)                  | Small confectionery  |
| Taxi (transportation)                               | Autobody             |
| Fruit & vegetable stand                             | Fishing              |
| Party organizer (birthdays, etc.)                   | Welding              |
| Furniture & cabinet                                 | Berry picking, sales |
| Draperly making, wedding dresses                    | Taco takeout         |
| Sewing carry luggage                                | Cabinet making       |
| Smoked fish-sales to locals, cottages               | Wind surf rental     |
| Heavy equipment contractor (small backhoe)          | Catering             |
| Engine repair (small auto)                          | Sign Painting        |
| Tourist, historical concession                      | Doll making          |
| Museum artifacts, selling & crafts                  | Firewood             |
| Fishing tackle, making & sales                      | Basket making        |
| Honey selling (beekeeping)                          |                      |
| Hand sewn leather clothes                           |                      |

wage employment/UIC pattern. Several derived income from wage employment and micro-enterprises or from more than one micro-enterprise. Personal and household incomes were, therefore, drawn from multiple sources. Some households had seven or eight small sources of income bringing money in at different times of the year.

Twenty-four of the 84 micro-entrepreneurs were sought out and interviewed in more detail. All were owner operated, most out of the family home or yard. Only 10 had hired help at any time. Half had needed money for start up. The majority drew on their own savings. Others borrowed from family members. One obtained a grant. Only 2 people had a loan out for their business at the time of the interview. Very few gave credit. Few traded their product or service. They operated within a cash economy. But only 9 of the micro-entrepreneurs had any training, formal or informal. Only 5 kept any formal records.

The earnings from micro-enterprises do, however, make a contribution to personal income. For 2 fishers it was 100 percent of their livelihood; for most, though, it was less than 40 percent of their personal income. The 24 enterprises earned a total of \$97,000 in the last year, with individual enterprises earning from \$100 to over \$27,000. Table 3 shows the distribution of earnings. Eleven earned under \$2,000; 13 over \$2,000. When costs were factored in, 4 of the businesses were not making any profit; 80 percent made some profit. Nine of the entrepreneurs said they would like to expand the scale of their activity in the near future.

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Table 3

**Kettle Point Micro-Enterprise Earnings 1987**

<b>Earnings</b>	<b>Number of Micro-Enterprises</b>
\$ 100 - \$ 900	7
\$1000 - \$1900	4
\$2000 - \$5000	9
over \$5000	<u>4</u>
	24

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For some people, their micro-business is essentially a hobby which generates some cash, but it is not vital to their personal or household income. They are using their skills and talents, or available resources, in ways in which give them personal satisfaction. Many other people provide needed services and goods within the community, while generating personal income. Examples include home



care for the elderly, taxiing service for people without access to an automobile, babysitting, and fishing. These people are entrepreneurs in the sense that they organize, manage and take responsibility for their enterprises.

When asked about the problems their business faced, most people mentioned lack of time and money. Because they put together income from several sources, lack of time is a serious deterrent to business expansion. So is lack of money. Other problems mentioned were lack of motivation, problems in advertising and marketing the product or service, and difficulties in obtaining materials (this particularly for people engaged in traditional crafts).

## A REVOLVING LOAN SCHEME

Lack of access to credit has been cited often as a major limitation on micro-enterprises, both in their establishment and their expansion (Ashe, 1985 and Beck, 1988). Kettle Point micro-entrepreneurs mentioned lack of money most frequently as their major problem. Sherman (1988) found that Pine Ridge people saw access to credit as their major obstacle to expanding their business: a loan fund has been established to assist this sector of the Pine Ridge economy.

The amounts of money that micro-enterprises are likely to need are generally too small for banks to consider. Moreover, many micro-entrepreneurs, particularly Native Canadian micro-entrepreneurs, do not have established credit ratings. They do not have written business plans or cash flow projections. They do not have business or financial statements of assets, capital and operating funds, or gross and net profits. In many cases Native Canadians have had little experience in dealing with banks. The Kettle Point micro-entrepreneurs were perhaps exceptional, in that half indicated they did use the local bank in Forest approximately once a week for personal banking.

The legal status of reserve land and the property therein is considered a significant deterrent to Indian access to credit. Reserve land is protected under the terms of the Indian Act: neither the band government nor individuals can sell the land even if they hold Certificates of Possession. Nor can land be put up as collateral, since it could be seized if loan payments were not met. Land and buildings on reserves cannot be mortgaged in conventional fashion.

Calmeadow Foundation, a non-profit, non-governmental organization has launched two pilot programs as a step to developing "a replicable and institutionally acceptable model of appropriate, efficient and cost effective credit delivery to Native people involved in micro-enterprise activities within their communities" (Calmeadow Foundation, 1987). The first pilot was initiated on the Wikwemikong (Unceded) Indian Reserve No. 26 on Manitoulin Island. Kettle Point is the second. A third is planned for a remote reserve in Northwestern Ontario (Calmeadow Foundation, 1988).

The loan program at Kettle Point is a joint undertaking of the Kettle-Stoney Point Development Commission, Calmeadow Foundation, and the local Toronto Dominion Bank. The Foundation negotiated with the bank in Forest for it to offer small loans to Native micro-entrepreneurs at commercial interest rates of 2 percent over prime. Drawing on the "solidarity group" model used by Accion International, a voluntary organization working in Latin America, and the experience of mutual financial aid groups in parts of Africa, Calmeadow requires that micro-entrepreneurs interested in obtaining a loan form themselves into a "borrowers' circle." Each circle has three to six members who feel they can trust each other sufficiently to guarantee each others loans. Loans are given for three, six or twelve month periods. Amounts may be as small as a hundred dollars to a maximum of one thousand dollars. The payback scheduled can be tailored to the seasonality of the business. The group selects the member to receive the first loan. Subsequent loans to individuals are dependent upon one hundred percent payback by the individual of any previous loan, and on the repayment of all the loans of circle members on time (The Chippewas of Kettle and Stoney Point, 1988). A Community Advisory Committee approves each borrowers' circle and oversees the program. A Kettle Point Development Commission staff person is working with the circles and their members to assist people in working out reasonable loan size and payment schedules.

Initially, Calmeadow Foundation set down two particular specifications for the borrowers' circle, based upon the developing countries' model and experience. The first circle should be a women's circle; this to ensure that the community understood that the program was for women as well as men. In addition, immediate family members should not be members of the same circle.

In both Wikwemikong and Kettle Point these specifications were immediately challenged. In each community a man asked to join the first women's circle, and was accepted by members of the circle. The man's reasoning was that women are especially trustworthy; the women's, that there was no good reason not to accept a man into their circle. One man would not dominate a women's circle. In Wikwemikong an extended family living in comparative isolation in a remote part of the reserve wanted to set up a borrowers' circle and so obtain a small loan to repair the saw mill it had been operating. Family members argued that they were too distant from other potential circle members; and anyway, they were much more inclined to trust members of their own family than any outsider. All three circles were approved.

The twenty four Kettle Point micro-entrepreneurs interviewed were asked whether they would be interested in obtaining a small loan for their business at regular commercial rates and, "if this meant forming a group with three to six other people from the reserve who also needed small business loans, in order to guarantee their loan," would they be interested? Eighteen said they would be interested in

a loan; 16 said they would be willing to be part of a group. This despite the fact that only 9 had said they wished to expand their business eventually.

The micro-entrepreneurs were also asked what concerns they had about the borrowers' circle and loan idea. People were worried that they could not trust others enough to join in a borrowers' circle; that some people were not sufficiently business-minded; that there was not going to be enough business and management training to help individuals or groups; and they were worried that welfare or UIC benefits might be cut off. Concerns were also expressed about over-exploitation of resources by resource oriented enterprises such as fishing; that there would be competition between similar enterprises operating in the same market; that successful people might be pulled down by the less successful in the group; and that off-reserve businesses might see this as unfair competition. Some felt that the Advisory Committee would be unable to make the effort necessary to keep the program going, because of so many economic development and other commitments.

## **COMMENTARY ON THE KETTLE POINT ECONOMY MICRO-ENTERPRISES AND THE CREDIT SCHEME**

This latest intervention in on-reserve economic development raises a number of important issues, even as it attempts to address a number of perceived problems.

The study of micro-enterprises at Kettle Point, and also at Wikwemikong has confirmed the existence of a significant number of on-reserve micro-enterprises, and has identified a considerable range of potential micro-enterprises, both to serve unmet and newly recognized local needs, and in substitution for some, mainly lower order, goods and services presently obtained from off-reserve businesses. The study also illustrated that widespread multiple job holding, mixed income sources and home based micro-enterprises are so much a part of reserve life and livelihood that they go virtually unrecognized.

Micro-enterprises are activities which give people considerable satisfaction because they build on and use personal talents. They operate on a scale people feel comfortable with. Moreover, they are one aspect of life and livelihood over which people can exercise some control. People can choose how much time and effort they put in to the enterprise; the entrepreneurs can control external obligations. The operation fits in and around their other interests and work schedules, including household responsibilities. It seems an obvious and reasonable development strategy: to build on skills and interests which actually exist, rather than to import ideas, organizational structures, training and resources, as is the case with most other economic development initiatives.

But micro-enterprises work well because they are tiny, flexible, unregulated and spontaneous. Is it possible to provide needed resources, such as cash or training, to those entrepreneurs who have the interest, ability and potential market to grow? Is it possible to encourage new entrepreneurs to start up and new types of enterprises to be established without destroying key elements like autonomy and personal control and flexibility?

The Calmeadow experiment opens up an opportunity for Native Canadians to access small amounts of credit, in quantities and at a pace ostensibly set by the individual, with the encouragement and acquiescence of a peer group. The group may provide for exchange of ideas and experiences. The scheme is a way to encourage more formalized record keeping and business planning; to enable micro-entrepreneurs to be more business like.

An argument can be made, though, that this is yet another externally imposed and assimilative scheme, dressed up seductively in the guise of appropriate development. Calmeadow has designed the scheme and its organizational structures even though it is responsive to suggestions for modification. Acceptance of loans from conventional sources will draw Native entrepreneurs into the national money market, inevitably destroying what little autonomy entrepreneurs have by making them dependent upon credit and vulnerable to fluctuating interest rates.

The counter argument is that the Kettle Point economy is already predominantly cash-based not exchange based; and that all real businesses, large or small, employ credit. Better that people learn about business credit through a small-scale, relatively benign scheme than in the totally open market. Better that they have some access to credit, than that they be excluded from it completely.

There is another set of questions, which cannot yet be answered. Does emphasis on the informal economy and or micro-enterprises within that sector only serve to reinforce or add to the marginalization of Native Canadians, because it is so small, because its importance is being exaggerated and because it had little potential for expansion? Alternatively, does recognition of and support to micro-enterprises contribute to self reliance and sustainable diverse appropriate development because it builds on interests and capabilities already being demonstrated (Lockhart, 1986)?

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# THE NEW ABORIGINAL ECONOMIC DEVELOPMENT INSTITUTIONS

Doug McArthur  
Department of Economics  
University of Regina

## INTRODUCTION

During the past approximately ten years, a number of new economic development institutions have come into being in Canada. Their essential characteristics are that they are aboriginal-controlled, they have a relatively broad mandate directed at increasing the participation of aboriginal people in economic activity (often including traditional pursuits), they act as both direct participants and intermediaries, and their jurisdiction extends beyond individual communities. They also reject assimilationist objectives, favouring the development of distinct aboriginal economies. Contrary to descriptions sometimes used by government officials, they have few non-aboriginal institutional parallels.

They have sometimes been referred to as financial, venture capital, or investment corporations. Few if any conform to this characterization, although there are points of similarity. They are not, on the face of it at least, readily described in ideological terms, notwithstanding the temptation to do so. For instance, while broadly collectivist in certain respects, virtually all are supportive of individual entrepreneurship and enterprise. It is clear that these institutions do constitute, at least in form and structure, a new innovation. As recently as ten years ago, one could not find institutions which corresponded to the general model described above. The closest would be a limited number of band and community-based organizations, which have similarities, but which are nevertheless distinct in a number of important respects.

## ORTHODOX ECONOMIC DEVELOPMENT STRATEGIES

The impetus for the development of these institutions can be seen in general to have come from the failures of earlier alternate approaches to solving the problem of pervasive poverty and economic exclusion of aboriginal people. The reality in this regard has, at one level, been widely acknowledged and accepted. Unemployment and poverty among aboriginal people have been well documented, as have the many public policy failures in addressing them (Siggner, 1984). The growing tendency to turn to these kinds of institutions can be seen as much as anything as a reflection of the growing frustration of aboriginal leaders with past failures.

While there is some risk of over simplification, public policy in the past has tended to emphasize two broad and related strategies which have fallen under the rubric of economic development. The first of these are what is often referred to as labour market strategies, while the second are business development strategies. Labour market strategies are based on the assumption that economic conditions among aboriginal people are largely caused by an inadequate absorption of aboriginal

people into labour markets. Such strategies are fundamentally assimilationist, and proceed largely on a perceived need for adaptation on the part of individual aboriginal people so as to make them more able to take advantage of the work opportunities available within the general economy. Such strategies thus tend to concentrate on the supply side of labour markets, although some more recent variations have attempted to alter behaviour on the demand side. Policies and programs arising out of these strategies, applied to the supply side include life skills development, education and skills training, provision of labour market information, and mobility assistance. On the demand side, direct job creation, employment equity, affirmative action, and human rights legislation have assumed more or less importance, depending on the attitude of government and the aboriginal organizations. In more recent times, the essentially assimilationist character of these programs has been somewhat cloaked by giving special attention to preparation for jobs in aboriginal communities and institutions. However, the overall thrust of these programs has been to get people into the general work force.

The second broad grouping of strategies, the business development strategies, emphasize the formation of aboriginal controlled business enterprises. Their objectives are partly to increase the size of the aboriginal business owning class, and partly to increase the number of aboriginal people employed in the economy, on the assumption that aboriginal-owned businesses will tend to be more effective at increasing the number of aboriginal people employed.

## **LABOUR MARKET STRATEGIES: TWO DECADES OF FAILURE**

No systematic attempt has been made by researchers to determine the total amount of public sector resources devoted to these kinds of programs in Canada. However, it is clear that they have been a very important part of government policy. And it is equally clear that they have largely been a failure in terms of achieving any substantial change in economic conditions. Labour market participation rates of aboriginal people are far below the national average, unemployment is chronically high, and remuneration from wage labour is individually and collectively far below that for any other definable group in Canada (Census, 1984).

Attempts to explain this apparent failure generally fall within the ambit of either human capital theory or segmentation theory. Among what might be called orthodox economists, the most popular explanation is human capital theory, which essentially suggests that the outcomes are neither surprising nor undesirable. This theory is based on a model of human behaviour in which people come to the labour market with a set of productive characteristics and individual preferences, and on this basis make rational decisions regarding investments that will improve their earning power and the choice of jobs, such as to maximize their lifetime earnings. Employers, on the other hand, pay people in



accordance with their productive value. Labour market outcomes are a reflection of the different characteristics of workers as these affect productivity, and of the differing preferences of workers with respect to investments in human capital and differences in occupations. Education, training, work experience and the like can improve the productivity of individuals, and thus it is possible to alter market outcomes by programs in these areas which will change the productive capacity of individuals. If these are equally accessible to all, however, differences in employment patterns and earnings can be largely attributed to differing innate or original abilities, and differing preferences amongst individuals. It is possible, for a short period of time, for groups of workers with the same preferences and productive capacities to be paid differently or to be treated differently in terms of work, but competition will quickly eliminate such discrepancies. Employers who provide preferential treatment will pay for this through reduced profits, and in order to survive they will have to employ those who cost less to employ, with the result that competitive pressures eliminate discrepancies not reflecting productivity or individual preferences. The only thing that could cause essentially similar workers to be treated differently would be factors which interfere with competition in the labour markets, the most important of which are unions and minimum wage laws (Becker, 1975).

Many have been troubled by the apparent inconsistency of the predictions of human capital theory with actual experience. Others have been troubled by the implication that labour market outcomes are in some sense in keeping with individual choices, and thus should be largely accepted. The first group, for instance, find it troublesome that there are certain definable groups in society, defined in terms of say race, who receive the lowest material and other benefits from work. They do not find it acceptable, on empirical grounds, to argue that race defines preferences and productive characteristics; and yet this would seem to be a logical outcome of the human capital theory if it is to be held to be valid. The second group accepts this criticism, but also argues that the whole theory is built upon a narrow and largely unacceptable notion of causality. Before proceeding to devise policies, economic relations must be subjected to a more searching investigation and explained in a more fundamental way than is possible through human capital theory.

The main theoretical alternative to human capital theory is segmentation theory, which finds within labour markets a pervasive tendency to separate people into essentially two groups. One of these groups enjoys relatively high paying continuous employment under preferred terms and conditions in terms of benefits and conditions of work. The other group engages in low paying, short-term work, with continuous shifting between employment and unemployment and welfare, limited benefits, and generally unattractive work conditions. The overall labour force is sharply divided or discontinuous, resulting in it being described as a "dual" or segmented labour force. The first of these groups is

described as being in the primary labour market, while the other is in the secondary labour market. Segmentation theorists do not concentrate, as the human capital theorists do, on explanations of outcomes based on the differing productive capacities and preferences of individuals. Rather, they concentrate on employment itself, and factors within the structure of employment which give rise to observed differences in outcome. One factor which has been identified as important is the underlying stability of the employing sector. Some sectors and subsets of sectors have stable demands for their products, with the result that large, capital intensive firms with long production runs are organized to meet these demands. These firms generally have high and stable profits, and are quite well protected against uncertain future outcomes. These firms provide the basis for the primary labour market. Other sectors and subsectors experience unstable demands for their products, with the result that the firms are small, have low capital intensities, lower profit margins, and a fluctuating need for labour. These firms provide the basis for the secondary labour market. Firms in the primary labour market find it to their advantage to support and protect their workers through such things as union contracts, which tend to further isolate and separate the two labour markets. A difficulty with this description of segmentation is that it does not explain why some identifiable groupings of the population appear to be over-represented in the secondary labour market. For instance, locational coincidence would appear to be the only possible reason for aboriginal people being almost exclusively in the secondary labour market. However, this is not supportable on empirical grounds, since aboriginal people are concentrated in the secondary labour market, regardless of their geographical location.

An alternate formulation of segmentation theory emphasizes institutional behaviour, and the tendency of institutions, whether firms or other institutions, to behave in a selective manner in relation to members of groups with specific identifiable characteristics. The essential idea is that institutions, including firms, utilize certain factors as a kind of proxy measure of the likely success of the individuals involved. Individuals having these characteristics encounter barriers to participation; barriers which may deny admission or employment, or which result in different treatment upon being admitted or employed. Race, age, sex, work experience, and education and training, and formalized credentials may all be used. The argument in the case of firms is that firms cannot determine the productivity of each prospective employee. The most they can do is draw upon certain predictive variables, or signals. The means through which they determine what factors will act as signals is not well explained by segmentation theory, although the economics literature on the subject tends to find correlations between productivity and suitability and the groups identified (Spence, 1973).

Many contemporary economic and sociological analyses find that segmentation theory has greater explanatory power than does human capital theory (Wien, 1986). It is consistent with the

observation that individual remuneration is not necessarily based on individual productivity. It also provides for outcomes which do not represent the preferences of the individuals involved, while still providing for some element of choice on the part of individuals. For instance, some people may choose to pursue employment in secondary labour markets, while others are forced to accept it because of the institutional limitations placed on their opportunity set. Segmentation theory, applied to particular groups within the labour force, is not without its difficulties, however. Its concentration on behaviour of intermediaries and final employers does provide a more convincing explanation of differential outcomes. It also provides a basis for program initiatives directed at institutional behavioural modification, which is more in keeping with a commonsense view that individuals are the victims of, rather than the causes of, differential outcomes. But it does not explain why institutions persist in systematic discrimination against individuals within particular groups, even when it is not to their advantage. Signalling theory identifies explanatory variables, but does not place those variables into a larger causal framework. It identifies first order causes, but not second order causes. It therefore cannot explain why fully credentialed and highly adaptive aboriginal males still encounter substantial barriers to employment. Further, it has difficulty explaining why improved educational opportunities have not slowly eroded the containment of aboriginal people within secondary labour markets. It is left with race as the only substantial cause or explanation, but has no satisfactory explanation of why racism should persist when it is economically irrational and philosophically inconsistent with the prevailing liberal ideology. The failure of labour market interventions such as human rights legislation and affirmative action programs to substantially improve outcomes for the disadvantaged groups further undermines the ability of segmentation theorists to argue their case.

## **BUSINESS DEVELOPMENT STRATEGIES: AN ALTERNATIVE**

One finds many references in government documents and literature to Indian or Native "economic development." It is usually extremely difficult to find a clear definition of what the term is assumed to mean. The Department of Indian Affairs, for instance, uses the term to apply to business development and so-called human resources development programs. The latter refer largely to the kinds of labour market interventions discussed above. Business development is described in departmental documents as involving enterprise financing through the Indian Economic Development Fund, and the provision of management advisory services to Indian-owned enterprises. Enterprise financing may take the form of direct loans, loan guarantees, or contributions. All are directed toward the financing of specific business undertakings which will be of benefit to Indians. Other government programs are available at the federal and provincial levels to support aboriginal enterprises, and all are

essentially the same in terms of the kinds of assistance, the purposes to which the assistance may be applied, and the terms and conditions of assistance.

One of the difficulties in assessing the effectiveness of these kinds of programs is the lack of clarity regarding overall objectives, and the absence of a well articulated rationale for them. However, over the first five years of the 1980s, the Indian Economic Development Fund provided \$45 million of total assistance throughout the country, and the projects assisted resulted in a potential of 4,600 part and full time jobs (Mackie, 1986). A Cabinet document prepared in the early 1980s argued cogently that the program was having only a negligible impact in terms of needed job creation among Indian people, and was coming nowhere near meeting the demand for economic development financing. The basic thrust of the argument was that the program, and others like it, did not constitute a meaningful approach to economic development. In order to be meaningful, it was argued, Indian employment would have to increase multi-fold, as would capitalization of development, and the pace of development (Department of Indian Affairs, 1980).

As with human capital theory in the case of labour market performance, orthodox economists do not necessarily accept this kind of criticism. Successful investments are dependant upon a number of factors, all of which are largely market driven. On the one hand, it depends upon the preferences and the abilities of individuals undertaking the investments (i.e., entrepreneurs). Not everyone has the inclination to be an entrepreneur, and not everyone has the required abilities. On the other hand, it depends upon appropriate market conditions. There must be markets for the products of enterprises, adequate to cover costs and provide a return on capital sufficient to justify the investment. They recognize that some investments may not proceed in the absence of special government measures, but these arise primarily as a result of what is referred to as market failure in capital markets. Market failure occurs when finance capital is not available to capitalize investments which would otherwise proceed on the basis of the above criteria. Market failure may arise for a number of reasons. One is the lending practices of the financial institutions. In terms of aboriginal investments, market failure may be attributed to a tendency of financial institutions to be reluctant to deal with small enterprises, because of the difficulty of acquiring the information needed to determine the viability of the investment, and because of the difficulties and costs involved in monitoring and supervising loans. Market failure may also arise because of requirement that investors have substantial equity; equity that aboriginal investors often do not have. While this may be a rational means for the financial institutions to reduce risk, its impact may be to ration capital financing without any direct correlation with the risk involved in specific cases. Market failure may also arise because financial institutions are not able to gain access to security, as is the case with assets on Indian lands because of the provisions of the Indian

Act; or because security is severely discounted because of its location in remote locations. A further aspect of market failure may arise in terms of planning and designing a capital facility or enterprise, since the outcomes of such activities are not of a kind that can easily be secured, or realized as security. All of these factors act as a rationale and justification for the special government sponsored financing programs available for aboriginal people. The orthodox economists will argue that if (a big if in the minds of many) such programs are well administered on the basis of objectively determined information, they can be successful in facilitating economically justifiable investments that would not otherwise be undertaken. However, they would also argue that claims are mistaken that these programs have failed because there have not been greater numbers of investments, and more jobs created. This apparent failure is quite predictable, and not a failure at all. The fact is that underlying fundamentals simply do not justify such investments. And, many would argue, if the concern is with the low incomes of aboriginal people, the solution is income supplementation, not forced capitalization of investments which are doomed to failure. The overall conclusion of this kind of analysis is that business financing programs can only do so much. Placing a greater burden on them is simply misplaced, and denies economic reality. And indeed, many would argue that in a desire to create jobs and stimulate economic activity, most government financing programs already finance many investments that can not be justified, with the result that the failure rate of such undertakings is much too high.

This kind of analysis is understandably not without its critics. Many aboriginal critics suggest that it is simply an apology for the tendency of the economic system to confine aboriginal people to the margins of the economy. Others argue that it simply denies the existence of many viable economic opportunities that could be captured with a more imaginative and sympathetic approach to the barriers that exist. And others argue that it fails to address the real question, which is underdevelopment. Underdevelopment is an economic condition that can only be understood in terms of economic and institutional relations, and the nature of such relations between developed and underdeveloped economies.

## **DEVELOPMENT AND UNDERDEVELOPMENT**

The earliest development theories, within the framework of modern social science, can generally be described as falling within a "modernization" paradigm. This paradigm suggests a dichotomy between modern and non-modern economies, with the solution to underdevelopment being the diffusion of the attributes of the modern economy to the non-modern economy. All modernization theories have within them certain common elements. One is the belief that the solution to underdevelopment is industrialization. Another is an emphasis on the relative scarcity of certain factors important to

industrialization, and particularly entrepreneurship, industrial skills and aptitudes and capital. And a third is the importance of the progressive diffusion of these factors from the modern to the non-modern economy. And while this process of diffusion might need a little boost to speed it on its way, most modernization theories have more or less accepted the inevitability of modernization.

There have been two principal challenges to modernization theory as it is applied to aboriginal people in Canada. The first of these is drawn from the regional development literature, and focuses on the impact of changing technology and economic structure. The basic argument is nevertheless somewhat similar to some aspects of modernization theory. As technology changes through time, certain groups of producers will find that the technology upon which their economic life depends, becomes obsolete. This will lead to their growing marginalization within the economic life of the nation. This affect will be accentuated if the sector in which they produce is also in relative decline due to shifting demands, falling relative prices, or new competition from other areas of the world and new products. Should the producers affected be relatively immobile, or face structural obstacles to new forms of employment, or both they and their families will be permanently pushed to the margins of society.

The most substantial challenge to modernization theory has come from what is known as dependency theory. While the intellectual origins of dependency theory are usually assigned to a group of Latin American sociologists and economists, and particularly Gunder Frank, there is considerable similarity between it and the various forms of staple theory which have played such a significant role in analyzing the economic development of Canada (Frank, 1967). Dependency theory is relatively rich and complex, and can only be briefly and inadequately encapsulated here.

Dependency theory starts with an explicit rejection of modernization theories, and their emphasis on the shortcomings of the underdeveloped population. It also rejects the idea that underdeveloped societies are in a transition from undeveloped to developed. Rather, dependency theory maintains that underdevelopment is a direct result of development, and can only be understood by examining the economic relations between the developed and the underdeveloped economies. Likewise, it holds that it is fruitless to attempt to formulate a theory of development without first formulating a coherent theory of underdevelopment.

The most important element in dependency theory is the relation between capital, which is controlled from the centre of the developed economy, and the underdeveloped economy. Such capital prospers and contributes to further accumulation at least in part from its productive relations with hinterland economies. Capitalism does not penetrate the hinterland economy in the traditional Marxist fashion, but rather exploits the people and the resources of the hinterland by capturing surpluses and

utilizing them to contribute to further accumulation. One result is that capital itself never accumulates in the hands of the exploited population. Another is that a very peculiar and particular set of economic and political relations develops. The exploited population is powerless to determine its own future. In historical terms, it is progressively forced into a particular class structure which serves to perpetuate the advantages which capital enjoys. Ownership of resources is denied it as capital consolidates its position of monopoly in the exploitation of resources. Ownership of capital is denied it, primarily because capital appropriates the vast majority of surpluses generated. A small indigenous merchant class may develop to assist the exploitive relationships. A state sector will be supported and developed, in the first instance to assist capital to achieve its ends, and later to ameliorate some of the worst affects of the relationships so established. The remainder of the population is essentially a poor underclass, deprived over time of the basis for functioning effectively in a modern, industrialized economy, and remaining attached in some cases to earlier values and traditions which are not consistent with adaptation to such an economy. The indigenous population is virtually powerless to determine its own future, and totally dependent upon the productive relationships established to meet the needs of external capital. All semblance of an economy as a relatively self-sufficient system disappears as economic relations become subservient to the needs of such capital. In addition, an important point, dependent societies are largely devoid of institutions of the sort that one might expect in a mature capitalist economy. The power of capital and the state is generally used to circumscribe the development of such institutions. This virtually eliminates the ability of such societies to generate an internal dynamic of their own. This, plus the inability to capture and retain surpluses, helps to confirm the pattern of underdevelopment.

### **THE NEW INSTITUTIONS: APPLIED DEPENDENCY THEORY?**

An examination of the new economic development institutions referred to at the outset of this paper suggests that, as planned by their aboriginal sponsors, they conform to many of the basic directions contained within applied dependency theory. For the time being, this must be advanced as a working hypothesis as opposed to a confirmed fact, since there is much yet to be determined about the direction they will actually take, and about the direction of internal planning at present. In addition, it is difficult to obtain detailed information about many of them, since it is common for them to treat a considerable amount of information as confidential. It is nevertheless informative to examine one specific case for which information is available, and which is known from information that is available to be similar in many important respects to a number of others. The case referred to is the Saskatchewan Métis Economic Development Foundation, and its subsidiary, the Sasknative Economic

Development Corporation. This case illustrates the kind of developmental thinking that is taking place today within one group of aboriginal people, and also some of the problems that arise in attempting to apply dependency theory to a specific situation.

It should be stated at the outset that there is no evidence that this particular institution formally developed from a set of principles drawn from dependency theory. It essentially developed through the initiatives of leaders and members of the Association of Métis and Non-Status Indians of Saskatchewan. Nevertheless, the convergence between the thinking of this group of aboriginal people and dependency theory is quite marked, as will be seen from the description that follows. Whether or not this gives any added legitimacy to dependency theory will be left for later exploration. The population on whose behalf the Foundation was formed is the Métis and Non-status Indians of Saskatchewan. This group of aboriginal people, estimated to number 65,000, is distributed geographically in the following ratios: 41 percent urban, 34 percent rural, and 25 percent remote North. The group has no defined land base, other than freehold properties held by individual members. Individual incomes are well below provincial averages. In 1981, the mean income of families was about 60 percent of the mean income of families in the whole population, while the corresponding figure for individuals was 48 percent. Labour force activity is generally of the type that would, under segmentation theory, suggest that most of this population relates to, or is part of, secondary labour markets.

The concept of the Foundation took shape as part of a participatory economic planning exercise undertaken by the Association of Métis and Non-Status Indians in the early 1980s, and was originally presented to the Government of Saskatchewan in 1981. The result of the work of the Planning Group was that AMNSIS adopted the following resolution, "AMNSIS is resolved to pursue with government the establishment of a Native Economic Development Foundation with subsidiary corporate capacity, as a mechanism through which (its) objectives can be achieved" (SNEDCO, 1984). Initial attempts to reach agreement with the provincial government failed, largely because of cost, aboriginal control, and a lack of understanding of the overall rationale and objectives of the institution. Wayne McKenzie, the executive member of AMNSIS responsible for negotiating the undertaking, says: "We were talking about developing an aboriginal economy, while the bureaucrats and politicians could only think about getting our people working in white businesses, and helping a few of us start pool halls, service stations, and stores. They didn't understand, or didn't want to understand, what we were trying to do." (McKenzie, 1983). The creation of the Native Economic Development Program (NEDP) by the federal government in 1983, provided a new opportunity for AMNSIS to pursue its strategy. A comprehensive proposal was developed and submitted to NEDP in December 1984 (SNEDCO, 1984), followed by a more detailed and comprehensive plan submitted in May, 1985 (SNEDCO, 1985). Time and space do



not permit a full description here. However, the essential features were the creation of a Foundation, owned by AMNSIS, and which would co-ordinate an overall development strategy, the creation of community and regional development corporations, and the creation of a subsidiary of the Foundation, the Native Economic Development Corporation, which would have within it a new financial intermediary, a lending and equity enhancement program, and a strategic investments capital fund. The Foundation would have within it a research and planning capacity, which would gather information on development problems and opportunities and assist in the development of community and regional development strategies, a human resources development capacity which would attempt to obtain control over efforts and expenditures directed at training and labour market interventions through "leverage," and a fieldworker service which would provide linkages to communities and individuals, and assist with initiatives arising from these two sources. The subsidiary corporation was, over time, to wrest away control over capital flows, surplus accumulation, and capital accumulation, as well as to finance investments which would provide immediate benefits to Métis and Non-status Indian people. Of particular importance in the latter category were an equity enhancement program, which would help individuals and communities overcome the obstacle to capital financing resulting from the insistence of financial institutions on owner equity, and a part of the strategic investments program focusing on job creation.

The proposal faced many difficulties upon being reviewed by NEDP, not all of which can be described in details here. However, some of the most significant included the following:

1. *Scale*: The original proposal provided for an initial investment of \$50 million, the amount required for long term self sufficiency. This was considered excessive by the NEDP.
2. *Provincial government involvement*: The NEDP insisted that some of the financing costs should be borne by the provincial government, something the provincial government refused to do.
3. *Aboriginal control*: The NEDP refused to permit the capital investment corporation to be under the control of the parent political organization, directly or indirectly, with the result that a very complex administrative arrangement had to be developed which was not totally consistent with aboriginal control.
4. *Concept of development*: While the proposal contained the key elements necessary to address underdeveloped as proposed within dependency theory, including the internalization of development decisions, the capturing of surpluses, the accumulation of capital under aboriginal control, import substitution, investment in infrastructure, the accommodation of both traditional and modern activities, and investment in human

potential and infrastructure, the NEDP did not support this approach. In the end, only the orthodox business financing and, to a limited degree, training activities contained in the proposal obtained approval.

The Foundation has now been operating for a little over a year. It is proceeding on a program of activities largely dictated by NEDP, which has to date provided all of the capital. Time will tell the extent to which the above concerns, arising out of the positions adopted by NEDP, will affect its operations. An additional note of interest is that there appear to be centres of resistance to the Foundation arising within the Métis and Non-Status Indian population itself. Some of these concerns are of the normal sort one might expect with a new institution, having to do with administrative and organizational matters. Others are concerns associated with the extent that the operating undertaking diverges from the original plan, and might be interpreted as support for the original idea that past patterns of dependency should be broken. But some are also of a kind that suggest that at least some people do not accept some of the fundamental aspects of the undertaking, such as aboriginal control, surplus retention, capital accumulation, and integration of aboriginal economic activity. This latter attitude, if it actually exists to a substantial degree, raises some fundamental questions which dependency theorists have largely ignored; namely how internal dependency attitudes impact upon dependency breaking initiatives, and how such views can be accommodated within such a strategy without undermining the strategy itself.

## CONCLUSION

Past aboriginal economic development strategies, influenced to a considerable degree by government definitions of development, have largely concentrated upon labour market interventions and business development initiatives. Both argue that aboriginal people should accept the basic economic and social relations currently prevailing, and work as individuals to better their conditions within such a framework, supplemented by specific government assistance delivered in the conventional way. These approaches have failed to yield any substantial changes in the socio-economic conditions of aboriginal people, despite having been pursued for many years. New institutional strategies coming forward from aboriginal organizations suggest that a challenge is developing, within aboriginal communities and organizations, to this view of economic development. This new view, of which the strategy driving the Saskatchewan Métis Economic Development Foundation is an example, is more consistent with the dependency breaking arguments of dependency theory. As such, these institutions may provide a good basis for studying the validity and workability of the theory, in the aboriginal setting in Canada.

The experience of the Saskatchewan Métis Economic Development Foundation points to some critical questions that need to be considered within the context of dependency theory, however. Some of these deal with the role of the state, and state institutions in maintaining dependency relations; and the ability of dependent populations within a state to develop enough independence initially to make dependency breaking strategies work. It is inconceivable that a strategy such as that adopted by AMNSIS could be made to work without government support; and yet the behaviour of the provincial government and NEDP has been such as to seriously threaten the whole strategy. Until dependency theory has a more adequate formulation of the role of the state in underdevelopment, it may in practice be quite limited in its ability to contribute to workable development strategies. A second consideration has to do with the role that attitudes and preferences of the dependent population play in dependency, and in dependency breaking strategies. Dependency theory rejects such notions as poverty culture, on the basis that they "blame the victim" for underdevelopment. Only time will tell whether or not it will be necessary to explain, in part at least, the failure of dependency breaking strategies in terms of preferences and attitudes similar to those found within poverty culture theories. If it is, the original hope of being able to explain underdevelopment without reference to such "victim specific" attributes may still prove elusive.

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# TOWARDS SUSTAINABLE NATIVE COMMUNITIES: LESSONS FROM NEWFOUNDLAND OUTPORTS

J.D. House  
Department of Sociology/  
Institute of Social and Economic Research  
Memorial University of Newfoundland

## INTRODUCTION: NATIVE COMMUNITIES AND SUSTAINABILITY

Four fundamental assumptions should guide Canada's approach to its Native peoples on the threshold of the twenty-first century:

1. The centuries-long incursion of Euro-Canadian society has had a devastating impact on Native peoples, undermining their pre-contact economic adaptations, distorting their cultures, and threatening their collective and individual identities.
2. Efforts to incorporate Native peoples into the mainstream of Canadian urban-industrial life have failed, and have exacerbated the problems of Native peoples.
3. The most promising feature of Native movements and organizations in recent years has been the emergence of a new sense of Native self-identification and a new drive for greater self-determination.
4. Sustainability and balance, rather than unfettered economic growth, should be the guiding principles for social and economic development in the twenty-first century (World Commission on Environment and Development, 1987).

A corollary of this fourth assumption is that the traditional economic and social adaptations of Native peoples, and the small communities in which they live, deserve new respect and constructive reconsideration. Rather than "reserves" and other Native communities being dismissed implicitly as simply holding grounds for Natives dependent on the economic largesse (conscience money?) of the federal government, they should be re-examined from the point of view of building on their actual and potential strengths and correcting their weaknesses for achieving sustainable development. The new drive for self-determination should be channelled into pursuing this re-examination, and government programmes and policies should support Native initiatives.

Such a re-examination has recently been undertaken for another type of small Canadian community, the Newfoundland outport (House et al., 1986). Outports are small coastal communities dotting the coastlines of Newfoundland and Labrador that depend on primary resource industries, mainly a seasonal inshore fishery, for a living. Outports have certain strengths, such as viable household production of essential commodities, especially housing, and an unofficial guaranteed household income system, garnered through collectively managing federal and provincial income security (mainly unemployment insurance) and employment creation programmes. Outports also exhibit

serious weaknesses, notably in the areas of new economic initiatives and entrepreneurship and sound ecological practices, which must be corrected if they are to attain sustainability.

"Sustainability" does not necessarily mean complete self-reliance and independence from central government support. Realistically, the big motor-power of the Canadian economy in its urban-industrial heartland must be counted on to provide some of the energy to its peripheral communities for at least the foreseeable future. In return, peripheral communities contribute to asserting Canadian sovereignty by populating its hinterland regions, relieve economic and social pressures in concentrated urban areas, enrich Canadian culture and, in the future, may even provide models (for example, in household production) that will need to be emulated by the sustainable cities of the future. In practice, the small Canadian communities that are the subject of this paper are already highly dependent on government programmes and transfers to individuals. The aim, for the foreseeable future at least, should be to spend the money more wisely so as to promote sustainability, self-reliance and less dependency. Sustainable communities sustain balanced relationships with nature and with other communities; they enjoy all the amenities of a modern life-style, including sophisticated and up-to-date technologies and communications systems; their citizens are fully employed in a combination of market and non-market economic activities; and their quality of life and psychological well-being are of a high order.

Such an image of the sustainable community is of course utopian as applied to both contemporary Newfoundland outports and Native communities. It provides a vision of what should be striven for rather than an empirical description of present or even future reality. But it can be very useful as a *guideline* for identifying strengths and weaknesses, both for local initiatives and for government policies and programmes which should take as their basic philosophy the supporting of local initiatives.

A companion article compares current Newfoundland outports with a hypothetical model of "the sustainable outport," and suggests what changes need to be instituted in the outports as presently constituted in order for them to achieve sustainability (House, 1989). The income security system, which now depends on local management of the UI make-work system, for example, needs to be changed so as to encourage work, education and entrepreneurship; and outporters must become much more sophisticated about sound resource management and ecological practices. Areas of strength in the current outport include self-built housing and other forms of household production, which provide promising directions for Native communities. In this article, concerned with lessons from the outports for Native communities, the focus for comparison is not so much outports as they are currently constituted as it is the model of the *sustainable outport*. The first column of the Table (below) lists twelve dimensions for comparison, and the second column describes the characteristics of the

sustainable outport for each dimension.<sup>1</sup> Our focus here is on the third column of Table One which summarizes the characteristics of Native communities on each of the twelve dimensions.<sup>2</sup>

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**Table**  
Main Features of Sustainable Outport Model Compared  
to Native Communities

Features	Sustainable Outport	Native Community
1. Housing	Self-Built	Outsider-Built
2. Household Production	Vibrant, Progressive	Potentially Vibrant, Cash Starved
3. Income Security System	Supports Work, Education, Self- Employment	Welfare
4. Employment Creation	Long-Term, Sustainable	Inadequate
5. Entrepreneurial Spirit	Strong	Underdeveloped
6. Technology/ Organization	Appropriate	Needs Modernizing
7. Communications/ Transportation	Electronic Village	Improving
8. Schooling	Supportive, Universalistic	Non-supportive, Inadequate
9. Local Government/ Developments Organizations	Strong, Well- Funded	Improving, Under-Funded
10. Ecology	Ecologically Sound	Traditionally Sound, Needs Updating

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Our concern is to describe the situation of Native communities on each dimension, and then to consider the changes that would have to be introduced in order to bring these communities more in line with the model of the sustainable outpost.

## **NATIVE COMMUNITIES AND THE SUSTAINABLE OUTPOST MODEL**

### **HOUSING**

In pre-contact times, most Native peoples in Canada lived a nomadic or semi-nomadic lifestyle, moving seasonally and/or periodically as an adaptation to the changing availability of the natural resources on which their economies were based. They did not live in "houses" as we know them. Euro-Canadian incursions, the establishment of Native "reserves," and other means of setting up sedentary settlements (notably a government resettlement programme in Labrador) have both undermined traditional adaptations and created a Native housing "problem."

As the first row of Table One indicates, housing in the sustainable outpost is *self-built*. People build and repair their *own* houses, usually with the help of relatives and friends. The high standard of self-built, low-cost housing that they enjoy is a central strength of the outpost economy. This strength is missing in most Native communities. In the Inuit village of Nain, for example, the northernmost community of the Labrador coast, houses are provided *for* the people by government programmes. Contracts are awarded to white building contractors from outside the region; outside workers come in and build the houses; the unemployed Inuit wait around with little to do while their houses are being built; and the houses are built to suburban specifications with little attention to the specific housing needs of Native peoples living in the North. Native families are then assigned to the houses according to bureaucratic criteria. Often, they cannot afford to heat them properly and they are ill-equipped to look after, repair and maintain them.

In accord with the sustainable outpost model, Native peoples should administer their own housing programmes, which should be geared to teaching people how to build and maintain their own houses. This would not only provide better housing, but would also be a way of upgrading local skills, providing meaningful work, and helping restore pride in the household and the community.

### **HOUSEHOLD PRODUCTION**

In the sustainable outpost, household production, not only of housing but also of fuel (mainly wood) and food (through hunting, trapping, fishing and home gardening) for the household's own use contributes significantly to its real wealth; and some household production, for example of crafts and some foodstuffs, is sold to supplement the cash income of the household.



A certain level of cash income is essential to successful household production. Outporters invest cash from market work and transfer payments into *capital goods* which improve the productivity of household work. Modern freezers, for example, are used to store seasonally available food throughout the year, and snowmobiles and all-terrain vehicles are used for hunting expeditions and for hauling wood.

One of the tragic ironies of many contemporary Native communities in Canada is that they are so cash-starved that they can no longer afford to maintain the subsistence household production that was central to their way of life and their well-being in the past (Brice-Bennett, 1986). What greater symbol of the failure of Canada's Native policies is there than the spectre of the Inuk or Innu hunter who can no longer afford to hunt? This brings us to the next issue, income security.

### INCOME SECURITY

In the sustainable outport (but not the present outport), basic income security for every household is guaranteed through a new national income security programme. This programme provides a guaranteed basic level of income for every household, and also provides income supplementation to low-income earners. The system encourages and rewards work, furthering one's education, and entrepreneurial initiative.<sup>3</sup> In contrast, too many Native communities today depend on social assistance and other forms of state welfare. They have not even achieved the kind of informal guaranteed income system that present outports have managed to forge out of make-work programmes and unemployment insurance. (It would be progressive as a first step if Native communities were to move from their present welfare dependency to the kind of UI dependency characteristic of many contemporary Newfoundland outports.)

While the present federal government is unlikely to introduce a universal scheme of income security along the lines suggested here, there is some possibility that it might consider introducing it on a trial basis *in Native communities*. Native communities could be a test case for the nation. As suggested above, a basic level of cash income would not only provide directly for a decent level of living, but it could also be used to invest in capital goods for household production and thereby further improve living standards indirectly. The least that Canada should do for its Native peoples is to provide automatically for every household a level of cash income that would make possible greater efforts towards self-sufficiency.

## EMPLOYMENT CREATION

Sustainable communities, whether outport or Native, must provide long-term sustainable employment for their citizens. This does not necessarily mean year-round nine-to-five jobs for everybody, but rather full employment in terms of the principles of how the local economies operate. Well-paid seasonal employment combined with effective household production and occasional income support during the off-season would be the lot of many people, although the few year-round professional jobs in the community (teachers, government officials, police officers) should also be held by outporters and Native Canadians. Much of the employment would be self-employment, both in primary resource industries as fishing, hunting, trapping and logging, and in local service industries such as shops and garages.

To stimulate long-term, sustainable employment generation, policy-makers and local people themselves must pay greater attention to innovative forms of organization that build on local strengths and overcome local weaknesses. Individual private enterprise should be encouraged, but the *pooling* of local human and financial resources through such institutions as community development corporations, publicly supported franchising and local trust funds are needed both to support private enterprise and to initiate economic activity on their own (Pretes and Robinson, 1989). While both outport and Native cultures were traditionally self-reliant, they were not *entrepreneurial* in a modern, market-oriented sense.

## ENTREPRENEURIAL SPIRIT

"Entrepreneurship" should not be confused with capitalism *per se*. Entrepreneurship is a necessary driving force for economic development, including sustainable development, within *any* economic system.<sup>4</sup> In the traditional outport, where fishing families led a hand-to-mouth existence, the kind of enterprise and risk-taking entailed by the entrepreneurial spirit were suppressed. Outporters showed much ingenuity and self-reliance in the battle to survive, but, held in debt-bondage by local and outside merchants, they were unable to accumulate capital and unable to combine human and other resources in the expansive way that constitutes entrepreneurship.

In the sustainable outport, in contrast, the entrepreneurial spirit is strong and vibrant. People engage in a variety of small business enterprises--in primary resource harvesting, primary and secondary resource processing, small-scale manufacturing, and a variety of local service industries--through which they generate wealth and provide employment for themselves and others in the community. Government programmes support but do not dictate the terms of such enterprises.

Native communities, even more than Newfoundland outports, have suffered from the inhibition and suppression of the entrepreneurial spirit. Only in recent years, as a concomitant of the new assertion of Native rights, have some Native people begun to find an outlet for their new assertiveness in entrepreneurship. Policy-makers would be wise to encourage and support such initiatives, recognizing that there will be many disappointments and many false starts for every entrepreneurial success. But it is better for the nation and for Native communities to spend public money in supporting local enterprise than in government handouts. Native entrepreneurship, channelled to be in keeping with Native cultural values (Barth, 1964), has a critical role to play in sustainable Native communities. Such communities must be *forward-looking*. We need local economies which can succeed competitively in the twenty-first century.

### TECHNOLOGY/ORGANIZATION

The sustainable outport uses modern forms of technology, such as computers, and modern forms of organization, such as community development corporations, as a matter of course. Modern technology, however, does not necessarily mean large-scale or even the most productive technology in a purely economic sense. Technologies that damage the environment, such as clear-cutting in timber harvesting and mobile draggers in fish harvesting, are avoided. Although highly efficient in the short term, such technologies eventually destroy the resource base itself, and thereby undermine economic viability and community sustainability in the long term.

Nevertheless, it is important that the best technology available be used, consistent with sound environmental practice and geared to the scale of the local economy. This is what is meant by *appropriate* technology. Small-scale furniture manufacturers in the sustainable outport, for example, use flexible, computer-assisted technologies for producing custom-designed products for the local market. Local fish exporters keep up-to-date with market trends in the United States and Japan through computer links with a central data base in St. John's.

The sustainable outport is also innovative in its forms of organization, which again are designed to be *appropriate* to the local situation. In fish processing in one region of the province, for example, the regional development corporation has set up an organizational arrangement through which ten small fish companies sell their product for a guaranteed price to a single community-operated processing plant, which in turn sells its product through a single marketing agency in Halifax. This system provides job security for fishers and plant workers, and breaks the old dependency of the small producers on large, multinational fish corporations.

Native communities, too, should be concentrating on appropriate forms of technology and organization. A promising example is the Paddle Prairie Mall Corporation in a Métis community in northern Alberta. Set up by a local entrepreneur with a university degree, the venture includes a convenience store, gasoline bar, video recorders and tape rentals, thereby providing services locally for which people had needed to go outside the community. The entrepreneur has been careful to organize his business in keeping with Métis cultural values, for example through a conscious focus on self-service in the gasoline bar and store. And the enterprise is progressive in terms of technology, with a fully computerized accounting system and the use of appropriate new technology, for example heavy-duty sewing machines in the business's latest venture, making tepees (Robinson and Ghostkeeper, 1988). Native communities must become technologically and organizationally sophisticated in their economic development efforts. This also applies to their communications and transportation systems.

#### COMMUNICATIONS/TRANSPORTATION

Newfoundland outports used to be geographically, and thus socially, isolated from the mainstream of North American life. During the 1950s and 1960s policy-makers believed that the best way to deal with this was to move people from the outports into larger "growth centres." Unfortunately, most of the growth centres failed to grow, the process proved highly disruptive to community and family life, and the resettlement programme became politically unpopular (Iverson and Matthews, 1968). During the 1970s and 1980s, official resettlement ceased and transportation and communications links between the outports and the outside world improved markedly. The sustainable outport of the future enjoys road, sea and air links with St. John's and other Canadian urban centres; it also enjoys modern, sophisticated forms of communications through telephone, teleconferencing, fax machines and computer linkages. Like the Scandinavian electronic village, it is no longer isolated economically or socially because it has immediate access to the latest educational, technological and marketing information available nationally and world-wide. And this access is *interactive*. Outporters can communicate directly with experts at Memorial University, who in turn can link them up with experts elsewhere if the information and advice they need is not available locally.

Native communities should also aim to become electronic villages. Some steps in this direction have been taken in recent years. Many Native communities now enjoy cable television and some households that can afford it have videocassette recorders. And, with the sponsorship of the Department of Indian and Northern Affairs, broadcasting and telecasting services in Native languages have been made available in many communities. This has helped train Native people, provided

employment and contributed to preserving the Native language and culture. The next step forward would be to make these new communications initiatives *interactive*. Native leaders and entrepreneurs need to be able to use the new communications technologies to acquire information and advice as needed, and to share their problems and experiences with other Native communities.

Transportation links between Native communities, and between the communities and the larger society also need to be assessed and improved in light of the important role that they will need to play in the sustainable development of the future. Sustainable development cannot be autarkic development; it is much more a matter of finding suitable niches within the local, national and world economies for community enterprises. Modern transportation and communications links are essential for this.

## SCHOOLING

The local primary, elementary and secondary school system within the sustainable outpost marries two main goals:

- It provides basic education for outpost children, which teaches respect for the local community, supports the local way of life, and imparts skills which are useful in the local context.
- It emphasizes strong universal standards of education in English, mathematics, history, economics, communications and technology.

Formerly, these two goals were implicitly assumed to be contradictory in Newfoundland outposts, and formal education was mainly a matter of teaching children how to succeed in urban-industrial society so that they could leave the outposts. Those who lacked the ability or the motivation to succeed in school stayed behind to become fishers, fish plant workers or low-paid service sector workers. The few professionals in the communities--priests, teachers, government officials--were outsiders who resided temporarily in the outposts as a phase in their professional careers.

In the sustainable outpost, by contrast, children are taught both to appreciate the local lifestyle and how to succeed in the local economy and society. This requires that they be given a sound basic education which is essential to becoming professional fishers, entrepreneurs and service-sector workers in a local economy which must find its way in the national and global economies of the next century. Being well-educated also means that those who decide to seek their fortunes elsewhere will be well-prepared to compete in the national marketplace.

At the post-secondary level, the sustainable outpost is served in the first instance by the local campus of the regional community college. The college provides both regular and targeted short

courses which address current needs in the outport, from quality control in fish processing to advanced computer programming. Many young outporters choose to pursue further education at either Memorial University in St. John's or at one of the province's three post-secondary technological institutes. And these post-secondary institutions are *linked* to communities in such a way that the expertise of their faculties can be brought to bear on local issues and problems. For example, fishers experiencing a problem of "slub" (dirty sea water) can get help from knowledgeable scientists by contacting the university's centre for applied community-oriented research. Education is a normal part of everyday life in the sustainable outport.

In recent years, much has been written and thought about Native education, and several new initiatives have been tried. This is not the place to enter into the extensive debate on Native education, except to point out that the sustainable outport model may provide some helpful directions. In accord with the model, Native education should on the one hand teach Native children to take pride in their language and culture, and it should teach them information and skills that are usable in the local context; while, on the other hand, it should also teach them the universal knowledge they will require to be competent citizens in a post-industrial global society. Again, there is no contradiction between these two aims. At present, as noted in the Table above, Native schooling is too often non-supportive and inadequate. Its improvement is a *sine qua non* for Native people to achieve the kind of sustainability outlined here, and for them to assert greater control over their own lives and communities.

#### **LOCAL GOVERNMENT/DEVELOPMENT ORGANIZATIONS**

In Newfoundland, local government has traditionally been weak; and, partly as a means of filling the void left by weak local government, a system of regional development associations has been established. The sustainable outport enjoys the leadership of strong local government in its civic affairs, which is closely linked to a strong economic development organization, which can either be formally independent or can be an arm of local government itself. These bodies represent the interests of the outport to outside agencies--government officials, outside investors, other communities--and thereby help strengthen community identity and pride.

To some extent, Native communities have an advantage over Newfoundland outports in that they have had established forms of political leadership through chiefs and councils of elders. In recent years, this has become complicated by Euro-Canadian forms of political representation, such as town councils, being superimposed on traditional forms. This has often created confusion and conflict. This is clearly a matter for Native peoples to work out for themselves, with government playing a supportive and facilitating role. The important lesson from the sustainable outport is that the lines of authority

must be clear, authority must be *legitimate* in the sense that it has the full support of the people, and that it must provide strong leadership both within the internal affairs of the community and in representing its interests to outside agencies.

Native communities might also benefit from considering the role played by Newfoundland's regional development associations. Similar organizations, either as branches of local governments or as separate agencies, could play a catalytic role in economic development in Native communities.

## ECOLOGY

Traditionally, in their close relationship with nature, Native peoples pursued a way of life which was ecologically sound. It posed no threat to the integrity of the environment. Sedentary Newfoundland outports, by contrast, have never been careful in their treatment of the natural environment. Like most Euro-Canadian settlers, outporters have treated the environment as a source of resources to be exploited at will. They ravaged the forests close to the communities for building supplies and firewood, and wantonly disposed of their garbage and sewage; the new ecological movement of the 1980s had little impact on Newfoundland outports. Unfortunately, the same kinds of ecological bad habits have been permeating Native communities since they have become sedentary too.

The sustainable outport, by contrast, is ecologically sound. Natural resources of fish and game are harvested so as to ensure sustainable yields; wood cutting practices are selective and controlled to ensure sustainable forests and avoid erosion; garbage and sewage are treated so as to prevent pollution of lakes, streams and bays. In the long run, sustainable outports require sustainable environments. This is equally the case for Native communities.

## CONCLUSION: AN INTEGRATED APPROACH

In conclusion, I would like to emphasize that, although we have treated each of the ten features of the sustainable outport model separately in this paper, it must be recognized that they all *interdependent*. A strong entrepreneurial spirit, for example, contributes to employment creation, and this in turn depends partly on the kind of schooling children receive. Employment and a sound income security system are the sources of cash needed to finance self-built housing and other forms of household production. Appropriate technology and modern forms of communications and transportation ensure that the sustainable outport and the sustainable Native community can successfully compete in the global economy and thereby create employment. Leadership in this whole

process is provided by strong local governments and development organizations. The long-term sustainability of this whole complex is assured through sound ecological practices.

The sustainable outport model cannot, of course, be applied wholesale to Native communities. There are many differences, both in resource base (fishing versus trapping) and in culture and social organization. Nevertheless, as an alternative to an urban-industrial model, the sustainable outport model should be carefully considered and modified to fit the different situations of different Native communities. The model also has promising policy implications. While the Canadian government is naturally reluctant, for example, to risk modifying the income security system for all Canadians, it might well be persuaded to reform it along the lines suggested above for *Native* Canadians. If the experiment proved successful and generated improvements in other features of Native communities, then it could be expanded to other small Canadian communities, such as Newfoundland fishing villages. In this way, the sustainable Native community could serve as a model for the sustainable outport.



## NOTES

1. For discussion of each of these dimensions in the sustainable outport, Newfoundland outports as constituted at present, and of the changes that would be required to bring reality into line with the model, see the companion article entitled "The Sustainable Outport: A Model for Community Development?"
2. The Table does not portray the situation of all Native communities in Canada. The empirical examples that influence the discussion here are the Innu and Inuit communities of Labrador. Readers are invited to make whatever changes they think fit to suit Native communities familiar to them.
3. For an initial description of such a new income security system, see chapter 12 of *Building on Our Strengths*, the Report of the Newfoundland Royal Commission on Employment and Unemployment, 1986.
4. As the Communist world has been learning painfully in recent years.

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