

## FIRST NATIONS EDUCATION AND RENTIER ECONOMICS: PARALLELS WITH THE GULF STATES

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In this article, I draw parallels between the Arab countries of the Gulf region and Canada's First Nations, focusing on how dependence on unearned income may be linked to educational underachievement. The rentier dynamics in the Gulf region has weakened ties between state and society, constructing one-way patronage flows without benefit or need for significant social consent. Despite vast investments in human capital, educational outcomes in the Gulf have fallen far short of expectations. Within a similarly structured rent seeking milieu on First Nations reserves, I explore the possibility that educational underachievement may be linked to a rentier mentality, characterized by a disjunction between educational effort and probable reward.

Key words: economics of education, Aboriginal education, education and development, comparative education

Dans cet article, l'auteur établit des parallèles entre les pays arabes de la région du Golfe et les Premières nations du Canada en soulignant comment la dépendance à l'égard d'un revenu non gagné peut être lié à la sous-performance scolaire. La dynamique de rentier dans la région du Golfe affaiblit les liens entre l'État et la société et encourage le favoritisme sans que la société n'en profite ou n'ait vraiment son mot à dire. En dépit d'investissements importants dans le capital humain, les résultats scolaires dans la région du Golfe restent en deçà des attentes. Faisant le parallèle avec la structure même des réserves des Premières nations, l'auteur se demande si la sous-performance scolaire n'est pas liée à une mentalité de rentier, caractérisée par une absence de relation entre les efforts à faire en éducation et la récompense probable.

Mots clés : économie de l'éducation, éducation et autochtones, éducation et développement, éducation comparée

In this article I compare select educational trends and patterns of First Nations<sup>i</sup> education with that of Arab populations of the oil-rich Gulf region. Drawing on pertinent literature, I focus on the links between the *rentier* nature of First Nations reserve economies, political decision-making, and educational outcomes and the Gulf region. Of concern is the persistently high level of educational underachievement common to First Nations populations and how this might be linked to the dependence on external rents.

First Nations control the management and distribution of fiscal transfers that emanate from the Canadian government. As a result, political actors on reserves, much like government bureaucrats in the Gulf, manage and distribute the funds for education and other social services. Fiscal transfers and oil rents, despite emanating from different sources, constitute unearned income unrelated to domestic production. In the Gulf, extensive oil rents result in high per capita incomes, affluent lifestyles, and rapid modernization but also reinforce weak state institutions, authoritarian rule, and weak educational systems (Noreng, 1997).

Referred to as rentier or distributive states, Saudi Arabia, United Arab Emirates, Bahrain, Qatar, and Oman have created extensive cradle-to-grave welfare systems consisting of free education, subsidized housing, free medical care, and guaranteed public employment. Beblawi and Luciani (1987) were among the first economists to describe the negative effects of welfare capitalism on the social fabric of oil-rich Gulf nations. They noted the disdain for work and lack of interest in formal learning. They introduced the term *rentier mentality* to refer to the disjunction in the popular mind between work and education and between income and reward. Further research by Amuzegar (1999), El Ghonemy (1998), and Mazawi (1999) reinforced the prevalence of the rentier mentality as a causal factor in the poor educational performance of Arab students. By no means, however, are the Gulf nations unique in this regard (Ross, 2001). With few exceptions, resource-driven economies, whether they are mineral-based or oil-based, tend to be governed by autocratic elites, have weak civil societies, demonstrate high rates of illiteracy, and are prone to inter-ethnic strife (Amuzegar, 1999). The balance of this article explores the possibility that First Nations

persistently low educational performance may be similarly linked to the rentier nature of reserve economics.

#### BACKGROUND

Statistics indicate that despite quantitative improvements over the years, the record of educational achievement for First Nations people as well as Métis and Inuit continues to be much lower than that of other Canadians. According to Wotherspoon (2006, p. 673) about one-third (35 per cent) of all Aboriginal people compared to 17 per cent for non-Aboriginals aged 25-44 had not completed high school. About half (49 per cent) of young Aboriginals aged 15-24 compared to 36 per cent of non-Aboriginals in the same age group were not attending school. Data from other sources suggest that the drop-out rate for Aboriginals before completion of grade 9 is about 20 per cent and 40 per cent before completion of grade 12, compared to 3 per cent and 16 per cent respectively for the non-Aboriginal population (Macionis & Gerber, 2005).

A 2000 report from Indian and Northern Affairs Canada (INAC) (2000, p. 14) estimated that it will take roughly 23 years for the proportion of Aboriginal high-school graduates to reach comparable national levels. The situation has apparently worsened over the last four years. A 2004 Auditor General report states that it will now take 28 years for Aboriginals to achieve parity with non-Aboriginals (cited in Wotherspoon, 2006, p.673).

At the post-secondary level, the number of Aboriginals attending university increased from about 900 in 1986 to 27,000 in 1996 (Hull, 2000). However, Aboriginal degree completion rates remain low. As a group, Aboriginals are far less likely to hold a post-secondary qualification of any kind – 35 per cent compared to 52 per cent for the Canadian population – and most of these are community college credentials. The situation is most dire at the university level. According to Hampton (2000), most Aboriginal students drop out before the second year of university study. Schissel and Wotherspoon (2003) state that only 2.5 percent of on-reserve Aboriginals hold an undergraduate degree or certificate compared to 15 per cent for non-Aboriginals.

The data indicate that large numbers of Aboriginal people are not acquiring basic academic skills. This situation is quite worrying given that the Aboriginal population is not only much younger than the Canadian population but is growing at a much faster rate. The median age of the Aboriginal population in 2001 was 25 years compared to 38 years for the non-Aboriginal population. The Aboriginal birth rate is presently 1.5 times that of the Canadian population. A third of the Aboriginal population is under the age of 14 compared to 19 per cent of the non-Aboriginal population. Holmes (2006, p. 4) estimates that in the next decade, more than 315,000 Aboriginal children will be born who will eventually go through the K-12 system and potentially into post-secondary education.

The cost of Aboriginal education is bound to increase because of the population growth rate alone. On reserves, First Nations governments will control and distribute these funds. According to INAC (2000), the cost of elementary and secondary education, minus capital and maintenance costs, amounted to \$1 billion in 2000. The annual cost of post-secondary education is rising and amounted to \$287 million in 2000. In 2003, the most recent figures available, some 25,000 students at the post-secondary level were funded through INAC totaling about \$300 million (Malatest, 2004). About 69,000 students are presently enrolled in First Nations-managed schools on reserves; an additional 46,000 are enrolled in provincial schools. Not surprisingly, expenditures for elementary and secondary education are among INAC's largest departmental allocations to a single program representing over 21 per cent of budgetary funding.

On the surface, educational underachievement does not appear to be caused by underfunding; however, it must be acknowledged that although the number of funded postsecondary students has grown dramatically from 3,700 in 1977, funding has not kept pace with demand particularly during the 1990s (Holmes, 2006, p. 13). The result is that some students are relatively well-funded while many others are dependent upon loans, part-time work, and parental support.

## THE PROBLEM

Fiscal transfers amount to unearned income for, and not profit from, ownership of natural resources or industrial production. First Nations assert that their economic and social problems can be solved primarily through increases in federal expenditures. At the same time, they also demand less government oversight and argue for more authority over the way federal funds are allocated (Assembly of First Nations, 2004).

The tendency to constantly rely on government funding is at odds with recent scholarship indicating that successful First Nations, whether as a result of gaming, resource extraction, or manufacturing can indeed make important contributions to local, regional, and national economies (Taylor & Kalt, 2005). With reference to American Indians, Anderson (1995) argued that economic productivity is significantly higher on reserves where a relatively large portion of the land is privately owned as compared to land held in trust or land that is tribally owned. Furthermore, tribal governments in the United States that are constitutionally constrained support more economic growth than tribal governments that can arbitrarily change the rules of the game and redistribute wealth.

This story is not unlike that characteristic of First Nations reserve economics where individuals are forced to adapt to the incentives and constraints that exist. What are lacking on reserves are secure private property rights that create incentives to produce and expand wealth. Centralized political power in the hands of a few creates incentives for political leaders to pursue other peoples' wealth (de Soto, 2000). The result is rent-seeking.

It would be misleading, however, to assume that First Nations possess the necessary institutional infrastructure and human resource capacity to completely act on their own behalf (Anderson, 1998). Most reserves are protected from seizure and therefore cannot be used for collateral. Surety bonding and the acquisition of capital investment are therefore constrained. As long as external agencies carry primary responsibility for economic growth, development decisions will inevitably reflect the goals of those agencies, not necessarily the goals of First Nations individuals (Chiste, 1999). Such factors create a

development milieu similar to that found in the Gulf, but very different from that found on non-reserve lands.

On-reserve economic development, as a result, tends to be reduced to an endless search for temporary jobs funded by First Nations, most of which are within the First Nations bureaucracy. This jobs-and-income approach is managed by political actors who are not above handing out contracts and jobs to family and kin (Allard, 2002). Thus, rent seeking solidifies the hierarchical relationship between the "haves" and "have-nots" as suggested in the work of Maxim, White, and Beavon (2003). The tendency is for political power to be held in perpetuity by elite groups supported by a steady flow of unearned income by way of fiscal transfers.

The crux of the problem is that on reserves, political power is not only highly centralized but also fused with financial decision making. Few mechanisms within the reserve political system allow grassroots involvement or wholesale resistance to political decisions. Real power and authority under the Indian Act are vested in political offices, and whoever gets into office enjoys a wide range of discretionary powers not unlike that enjoyed by political leaders in the Gulf. The poverty and suffering on reserves, and the lack of economic development, are only partly caused by lack of opportunity or funding; such outcomes are the product of an antiquated system of political and economic decision making (Carstens, 2000). First Nations governments, much like their Gulf counterparts, have but one major responsibility, that is, to leverage as much money as possible out of the federal government to support on-reserve bureaucratic mechanisms designed to distribute the rents in politically appropriate ways.

#### OLD THEORIES: NEW REALITIES

##### *Internal Colonialism*

Internal colonialism is a Marxist-inspired theory that explains educational underachievement as an outcome of the deliberate subjugation of First Nations by the Canadian state. The colonization of First Nations, therefore, is an on-going social and political process (Frideres & Gadacz, 2001). Advocates of this approach claim that the structure and content of Canadian schooling subjects First Nations to

mainstream values and in the process, subordinates, and destabilizes efforts to establish Aboriginal institutions and knowledge systems (Bird, Lorraine, & McAdam, 2002).

Further, colonization is assumed to have deepened rather than abated over the years and mainstream education, a major agent of colonization, is responsible not only for poor academic performance but also for creating an unequal socio-economic relationship between First Nations and mainstream society, resulting in distrust and enmity. Attempts to reform mainstream schools and curriculum are thus nothing more than a covert strategy aimed at marginalizing First Nations values. Advocates claim that the only way to prevent further colonization is to reject Eurocentric knowledge and pedagogical practices completely. A central objective is the preservation of indigenous languages and cultures (Battiste, 2001; Calliou, 1999).

The assumption that academic underachievement is caused by colonization is flawed from many perspectives. First, by defining reserves, of which there are over 2,000, as internal colonies, assumes that First Nations are politically powerless actors. Recent court decisions and employment equity practices have politically and economically empowered First Nations to an extent unimaginable ten to twenty years ago (Burtch, 2003).

Second, demographic data indicate that First Nations are both a rural and an urban people with about 40 to 50 per cent now living off-reserve on either a permanent or semi-permanent basis (Kerr, Guimond & Norris, 2003). Migration data show that both reserve and off-reserve populations are increasing. Far from stationary, Canada's First Nations people are highly mobile. In fact, 70 per cent of all Aboriginals (Indian, Métis, and Inuit) now live in towns or urban centres. And yet, only \$7 million is spent annually servicing off-reserve populations compared to \$320 million for on-reserve populations. This means that approximately 80 per cent of First Nations funding is going to 15 per cent of the total population. This not only signals an urgent need for the development of policy frameworks for urban Aboriginals, but also provides enormous potential for rent seeking (Belanger, 2005).

Third, from a political perspective, First Nations reserves contain very few counterbalancing political structures. Major social and

economic problems tend to be attacked through the singular field of politics, dominated by a small cabal of elected political leaders (Carstens, 2000). Those in political power also exercise control over band finances and dominate decision making pertaining to the distribution of fiscal transfers (Flanagan, 2000). To label First Nations as colonies is therefore misleading and ignores the autonomous decision-making power (and rent-seeking opportunities) that First Nations politicians possess.

Neither can internal colonialism explain why off-reserve students perform better than on-reserve students in the trades and at the secondary and post-secondary level (Schissel & Wotherspoon, 2003, p. 109). Also, many on-reserve schools are now staffed with Aboriginal teachers and personnel who are brought up in the same culture as their students. Does this imply that First Nations teachers are colonizing First Nations students?

Influenced by demographic shifts to urban centres, present trends, particularly at the post-secondary level, indicate that First Nations are indeed moving toward, not away from, greater involvement in mainstream educational institutions (Hull, 2000). The shift in policy from federal to local control (ongoing since the early 1970s) has meant that the internal colonization process has fragmented and can no longer be claimed to be a significant factor in First Nations educational underachievement.

#### *Cultural Discontinuity*

An equally dubious explanation for low Aboriginal academic achievement is the cultural discontinuity thesis. This perspective asserts that culturally based differences in the communications and learning styles of First Nations students' home life, and the Anglo-bureaucratic ethos of Western schools, leads to conflicts, alienation, and ultimately school dropout (Kanu, 2005).

This approach understandably focuses on the process rather than the structure of education and concludes that making classrooms culturally appropriate will result not only in improved academic success, but will ultimately strengthen First Nations culture. To achieve this end, a concerted effort has been made to make schools and teachers culturally sensitive. Universities and colleges have made great efforts to help First



Nations students adjust to city living and the culture of the university (Holmes, 2006). More First Nations administrators and teachers are employed in reserve schools. Professional and cultural counseling and support services are available at most post-secondary institutions (Taylor, Crago & McAlpine, 2001). Community-based teacher education degree programs have sprung up over the country in an attempt to reduce the cultural divide.

Despite these widespread efforts, few empirical studies conclusively confirm that culturally appropriate pedagogical or structural reforms have substantially reduced the level of academic underachievement on or off reserve (Binda, 2001). Interestingly, studies by Ledlow (1992) and Brady (1996) suggest that social class variables, specifically the quality of home and family life, and the role of literacy in early socialization may have a greater positive effect on Aboriginal achievement than culturally appropriate interventions in the classroom. Moreover, Radwanski's (1987) and MacKay and Myles's (1989) research in Ontario indicate that First Nations culture in the typical Canadian classroom does not explain the high dropout rate. Unfortunately, Canadian scholars remain wedded to the cultural discontinuity thesis despite evidence suggesting that other theories may be equally plausible.

The stress on difference recognition embedded in the cultural discontinuity thesis was understandably a natural pendulum reaction to the historical stress on assimilation so pervasive throughout most of First Nations post-contact history. However, demographic and social forces, exemplified by the high inter-marriage rates between First Nations and mainstream populations, are gradually undermining the notion of cultural difference. In their 1992 report, Clatworthy and Smith (1992) estimate an overall out-marriage rate of 34 per cent for status persons and 62 per cent for off-reserve status people. This pattern reflects a high level of cultural exchange and weakens assertions by cultural discontinuity theorists that ineffable cultural differences occur between First Nations and mainstream Canadian values. Cultural discontinuity also assumes that First Nations and mainstream cultures develop in relative isolation from one another, and that mainstream culture is essentially superior. Given these assumptions, educational success is assumed to be contingent on assimilating into the dominant culture.

Research by Guimond (2003) suggests that persons of Aboriginal origin who report more than one ethnic origin outnumber those who report a single origin. This represents the cumulative effect of multiple generations of ethnic mobility. Interestingly, Guimond found that more than a third of persons of Aboriginal origin do not identify with any Aboriginal group. He refers to this as ethnic drift — the tendency for Aboriginals to switch identities. Individuals drift in and out of Aboriginal populations, bringing with them their own set of demographic and socio-economic characteristics — mostly urban, lower fertility, and higher educational attainment.

In addition, the shift from rural to urban areas, which is ongoing and dynamic, offers numerous opportunities for cultural exchange and the development of multiple identities. To quote Cairns (2000), "Aboriginal societies, like all other societies, are penetrated societies. Their members live in many worlds at once, and relate to more than one community" (p. 101).

#### RENTS AND RENT SEEKING

##### *Definition*

The theory of rent dates to the classical eighteenth and nineteenth century economists Adam Smith and David Ricardo. Both defined rent as a distinct source of income. According to Smith (1974), "rent enters into the composition of the prices of commodities in a different way than wages and profit. High and low wages are the causes of high or low prices; high or low rent is the effect of it" (p. 249). Ricardo (1960) observed that rent was a reward for, and not profit from, ownership of natural resources. In making this distinction, Ricardo stated, "the laws which regulate the progress of profits and seldom operate in the same direction" (p. 270). To avoid misunderstanding, *rent* used in this context has nothing to do with rent, in the sense of rent for land or property. Rent strictly refers to financial income that is not matched by corresponding labour or investment. Rent-seeking behavior aims at avoiding competitive or market pressures to bring about distortions in one's own interest in the political sphere.

More broadly, rent seeking is the process by which government officials prescribe and reinforce rules that give *themselves* discretionary

control over the allocation of valued resources. Rent extraction occurs when government officials exercise this discretion for personal gain. Theoretically, rent seeking and corruption are often linked causally, although most economists believe that rent seeking, more often than not, is a cause of corruption, and not the other way around. Analysts who study the Gulf speak of rent-seeking regimes where the defining characteristic of governance, the end to which all political activity seems to be channeled, is the creation and control of rent-seeking opportunities (Gause III, 1994).

In the Gulf, the national government is typically the principal recipient and dispenser of rents. Its responsibility is to manage the flow of rents and distribute them by means of outright grants, entitlements, contracts, licenses, or state employment. The political economy is, therefore, arranged as a hierarchy of rentiers with the state at the top of the pyramid, acting as the ultimate support of all other rentiers (Karl, 1997).

#### SOCIAL, POLITICAL, AND ECONOMIC OUTCOMES IN THE GULF

Despite enormous rents derived from oil and gas exports, rentier states have been unable to diversify economically and as a result, display a remarkably uniform developmental path (Gause III, 1994; Shafer, 1994). Analysts point to the following reasons. The steady flow of wealth prohibits the need for taxation on personal incomes. Oil revenues are owned by government. Thus the extraction of oil and gas is basically an isolated, capital-intensive enterprise dominated by expatriate workers. The relationship between the citizen and the state is therefore fundamentally different from that found in non-resource-based societies. By exercising dominance over the economy, governments vest a wide variety of private interests in its stability, privileging its allies and punishing its opponents.

In return for public acquiescence, governments are obliged to provide a wide array of services to citizens in the form of free education, health care, housing, and consumer subsidies. Peace and stability among these otherwise fragile states is maintained by the consistent use of various strategies, i.e., strong security services, political co-optation,

divide-and-rule measures, allowing token democratic participation, and providing free public services (Byman & Green, 1999).

The dominance of external rents over time creates an extroverted economy. In his study of rentier states, Gunn (1993) found no nexus between production and income distribution because revenues accrue directly to the government from rents emanating from outside the country. This supports Beblawi and Luciani's (1987) notion of a rentier mentality that implies a break in the work-reward causation — where reward is not related to risk-taking or the perceived need to work hard or compete. Other analysts have observed that rent seeking tends to produce an inverted pyramid of social classes (Noreng, 1997). In the Gulf, a large non-productive, consumer-driven, middle class dominates the social structure in the absence of a producer class. High levels of affluence create insatiable demands for foreign goods and products. Thus from a development perspective, the modern Gulf state demands those skills that can be attained only by accessing Western-style training and education.

#### PARALLELS WITH RESERVE ECONOMIES

First Nations land and resource ownership is highly constrained by the effects of more than 200 years of British and Canadian colonial policy. Chief and Council (band) control the sale, lease, and use of reserve land even though it is deemed as collective property. As a result, individual band members possess little in the way of collateral that allows them the freedom to buy property on or off the reserve. Without collateral, it has proven difficult for band members to obtain sufficient start-up capital to establish businesses (Flanagan & Alcantara, 2002). The lack of an integrated system of private property prohibits large-scale economic development and further reinforces the fusion of political and economic decision making. As pointed out by the Royal Commission on Aboriginal Peoples (1996), the consequence is that a disproportionate amount of federal funding is directed toward welfare and remedial programs (social and family breakdown) relative to economic development.

Through no fault of their own, First Nations as individuals have never enjoyed a workable system of property rights. This is not to

suggest that reserve residents have no individual property rights whatsoever. In reality, the situation is much more complex. First Nations do indeed control much reserve land as collective property, but on some reserves individuals enjoy the benefits of customary rights and certificates of possession under the Indian Act (Flanagan & Alcantara, 2002). However, the numerous treaties, the many amendments to the Indian Act, and the necessity to rely on the courts rather than the political process to resolve land claims and other disputes have conspired to confine residents of reserves to a system of collective rights that constrains economic growth and diversification (Franks, 2000).

In the Gulf, analysts note that rent seeking exacerbates political factionalism and systematizes patterns of patronage and cronyism. As a result, employment in the public sector is often created not to meet identified economic needs, but to provide jobs for friends and relatives (Devlin & Jewison, 1995). Mainly because reserves have not been the object of systematic economic study, it is not known to what extent patronage and cronyism are institutionalized. The political factionalism reported in the popular media over the years does indeed point to extensive inter-family jealousies and political factionalism (for example, Cheney, 1998; Rabson, 2001; Redekop, 2001). Such cases must be judged on their own merits; however, it must also be acknowledged that political leaders on reserves, much like their Gulf counterparts, do possess broad discretionary control over spending.

How might discretionary control over resources lead to rent seeking? Because the political elite on any reserve tends to control most aspects of reserve life, from the allocation of housing to who gets jobs and welfare, they are virtually unimpeded in using Band funds to reward those who provide political support. Similar conditions exist on many reserves where select occupations, such as elected office, are subject to salary grids that are insensitive to market conditions (Allard, 2002). Although not all First Nations leaders can be assumed to be predatory, what are the checks and balances to prevent them from being so?

In addition, if leaders develop predatory as opposed to development aims, where are the collective actors within the reserve society to impose some domestic conditionality on how those in power exercise that power fairly and with a sense of accountability? The idea that the mere

existence of rent-seeking opportunities will be used for predatory purposes is consistent with the experience in the Gulf. Predation tends to occur as a consequence of the failure to adopt rules, clearly defined procedures, regulations, and appeal processes. If such conditions are in place, the probability of prolonged rent seeking is reduced (Ross, 2001)

Increasing social stratification on reserves has led some analysts to comment on the increasing polarization between the haves and the have-nots. These groups are differentiated by educational attainment that creates a dual labour market where individuals are either limited in the band bureaucracy to low-skill, low-paying jobs, or high-skill, high-paying positions (White, Maxim, & Beavon, 2003). In the absence of taxation and with traditional customs of sharing and redistribution no longer being practised on many reserves, there are few legal or normative mechanisms for redistributing wealth from the elite to the people (Allard, 2002).

Commenting on the prospects for the success of First Nations businesses, Flanagan (2000) concludes, "as long as reserves are small, impoverished and supported by external funding they will be prey to factionalism, nepotism and waste" (p. 107). Flanagan's view is supported by Cairns' (2000) observation that more than 80 per cent of federal government transfers pay for costs associated exclusively with band administration.

Perhaps the most important lesson for First Nations to be drawn from the Gulf experience is that rent seeking begets more rent seeking and does not enhance economic development. There is also a covariance of weak states with oil rents. That is, reliance on external rents tends to transform social and political structures so that formidable barriers to change are erected. Similar outcomes are evident within reserve economies. There is an over-abundance of service sector employment, an absence of private sector enterprises or initiatives, low direct investment from outside firms, and reliance on the jobs-and-income approach.

## DISCUSSION

Political leaders in both First Nations communities and the Gulf are failing to systematically address the notion that the causes of educational underachievement may in part emanate from the rentier nature of their

dependence on external rents. In regard to First Nations, although it is true that political actors control educational policy and financing, they receive this money as part of a larger package from government, not through taxation of their members. The lack of taxation removes an important variable from the political equation: no legitimate basis exists for citizens to demand accountability from elected officials as there is in mainstream society. Moreover, without clear rules of accountability and transparent budgetary practices, First Nations citizens may not be as informed as they should be as to how their money is spent on education or any other social service.

To prevent rent seeking from taking hold, reserve politics must be separated from the process of managing band money. Successful First Nations in the United States have achieved this by creating a development corporation with an independent board (Taylor & Kalt, 2005). Long-term economic planning is left to the band while the Board's responsibility is to conduct and manage business operations. Unless a clear separation of powers occurs, the risk of rent seeking rises sharply and ultimately, as experienced in the Gulf, stifles entrepreneurship and political participation. The lesson for First Nations is that the adjudication of disputes over resources should be separated from politics. If dispute mechanisms internal to a band are controlled politically, they are obviously subject to manipulation and this may enhance corruption and further discourage risk-taking and joint economic ventures with outside agencies and firms.

The lack of citizen involvement in First Nations politics creates a vacuum in terms of addressing educational problems and issues. An analogy can be drawn to mainstream society to illustrate this: if the Canadian high-school dropout rate were as high as that of First Nations, it would result in an angry public reaction followed by hurried political efforts to find solutions. Clearly, Canada could not afford the resultant loss of taxes, diminished economic production, and increased costs in social assistance. How long would mainstream parents tolerate high attrition and dropout rates such that their children were denied the necessary skills and credentials to compete in a global economy? Paradoxically, the financial costs of First Nations underachievement will

be borne by the Canadian taxpayer while the social and psychological costs will continue to be borne by First Nations themselves.

Citizens of the Gulf region and the First Nations lay great stress on obtaining post-secondary qualifications. In Canada, this may be due in part to the increase in entrepreneurial activity on reserves but is more likely linked to the availability of jobs in the social services that require professional certification, such as teaching and social work. The close correspondence between public sector jobs and higher education is a characteristic of rentier economies as noted by Altbach (1998). Once on the rentier path, First Nations will be constantly under pressure to create more jobs. Because well-paid employment requires post-high school training, keen competition occurs for Band sponsorship and educational funding. Given their control over funding and job creation, political leaders are free to offer financial support in return for political support. In the long term, no group or individual seeking funding for education can easily avoid rent seeking. Evidence from the Gulf suggests that once established rent seeking regimes tend to become autonomous and intensify.

Despite quantitative improvements in educational participation, it is inevitable that the social returns to post-secondary education will remain low for reserve residents as long as non-completion rates are high. The result is that individuals, not First Nations, will benefit the most from educational funding. Because superior employment opportunities are found off-reserve, urban centres (and urban reserves) will continue to pull post-secondary graduates away from remote and under-resourced reserves. Human capital is held by individuals, not collectivities, and resides in the community only as long as the individual stays there and capitalizes on the educational skills and knowledge he or she has acquired. This demands that the financial and other physical capital resources of the community to be both present and in motion for the community to develop economically. This is not the case for the majority of reserves.

If educational under-achievement is indeed a serious problem, many First Nations are not responding in a constructive manner. For instance, some have refused to participate in provincial testing that compares their educational achievement inter-provincially and inter-nationally. In



Alberta, for example, First Nations were requested but refused to release information on test results, arguing that such disclosure would be harmful to their relations with government (cited in Cowley & Easton, 2004). At the national level, similar concern over the lack of First Nations accountability and transparency is reflected in the 2000 Auditor General's Report (INAC, 2000) which documented numerous reporting and accountability problems pertaining to the management of on-reserve education. Sadly, the Auditor General concluded, "The Department of Indian and Northern Affairs does not know how much money is spent by First Nations on education" (p. 17).

#### CONCLUSION

With this article, I have attempted to reveal how the rentier nature of reserve economics affects political decision making which in turn may be linked to First Nations educational outcomes. The following questions are put forth to stimulate further investigation:

- In reserve economies, where other dominant forms of wealth creation are absent, fiscal transfers provide the bulk of regular income. Because education is fully subsidized, to what extent are educational systems used by authorities as a means to distribute rents? For example, are funding opportunities and available jobs in education part and parcel of the reserve patronage system as they are in the Gulf region?
- Both the Gulf countries and First Nations reserves have been transformed into consumer societies by virtue of their rentier status. If rent seeking is a condition for educational funding, how motivated will First Nations students be to achieve educational success? Will they be inclined to adopt an indifferent attitude toward education as is the case in the Gulf?
- Dependence on unearned income allows those in power to dispense favors and rents to the people for the dual purpose of providing benefits and, in the process, buying off dissidents and managing the flow of rents. In the Gulf, such a rent-seeking environment has created a situation in which citizens are constantly jockeying for the favor of the hand that feeds them. What are the personal experiences of First Nations students in this respect?

- In rentier states, the nexus between work and academic achievement is made problematic in so far as education and training, indeed risk-taking of any sort, is not strongly linked to future economic rewards particularly when those rewards are perceived to be external to the individual. In regard to First Nations students, is dropping out a rational response relative to the expected rewards and probable outcomes?

Hopefully, within the context of renewed emphasis on First Nations economic development, the pitfalls associated with over-dependence on external rents will be recognized and avoided. Perhaps a sensible place to start is for First Nations citizens to realize that development policies and outcomes have to represent their wishes and to ensure that their political masters are accountable to them.

#### NOTES

<sup>1</sup>I use the term First Nation to denote an Indian tribal group that shares a common cultural heritage. Members of First Nations may reside on or off-reserve. There are over 2000 reserves in Canada and most are governed by a First Nation Band normally consisting of Chief and Council. The number of First Nations will presumably vary over time depending on population growth, migration patterns, success of land claims, and changes in federal government policy. First Nations people who are registered under the *Indian Act* fall under the legislative and administrative authority of the federal government. As a result, they are entitled to educational, social, and economic benefits.

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