

Definition Statement First Nations Economic Initiative

A natural outgrowth of my research and teaching in the areas of global entrepreneurship, transaction cognition theory, and stakeholder theory is the application of these frameworks to public policy initiatives—especially as they apply to the transition of economies from command to market. Understanding how to navigate from hierarchical to market-based economies has been, and remains, an important question for scholars interested in the privatization and entrepreneurial transformation of command economies.

Since 1996, the term “transition economy” has been applied by the World Bank to those economies that have been undergoing a change from a dependency upon central planning to more reliance upon market mechanisms. Included as transition economies have been those in Central and Eastern Europe (CEE), the newly independent states of the former Soviet Union (NIS), and economies in East Asia, notably that of the Peoples Republic of China. Transition economies, however, are characterized by an economic no-man’s land that is no longer fully subject to the protections of planning, but is not yet fully responsive to the motivations of the marketplace.



While working on this problem in the Chinese context, my colleagues and I in the Faculty of Business at the University of Victoria had the privilege of receiving a delegation of native leaders from northwest British Columbia. These leaders were struck by the parallels between the economic development problems experienced during the Chinese transition to a market-based economy, and those presently confronting native communities. The logic for these parallels is straightforward.

In mainland China, the assumptions of state-sponsored socialism resulted in collectivization of production, with a command economic structure set in place to centrally plan and manage it. In northwest B.C., the native leaders with whom we met observed that the provisions of the federal Indian Act have, through the reserve system, also resulted in elements of collectivization. Through the band council system and the regulations of Indian and Northern Affairs Canada (INAC), a command economic structure under which the assumptions of central planning and management have a strong influence is also in place in Canada. Both situations urgently require guidelines for developing high performance economies.



The command-to-market issues that presently confront aboriginal populations on-reserve in northwest (and on occasion elsewhere in) B.C. are the focus of my First Nations Economic Initiative. At the theoretical core of this initiative is Transaction Cognition Theory¹ which suggests key propositions that apply to native economic development – the creation of high performance economies. Native focus groups that we have conducted in northwest B.C. consider a high performance economy – and by extension, a working definition of economic development in the First Nations community – to mean “the processes that lead to prosperity and cultural well-being.”

In the Spring of 1999, at the very time that the Secretary General of the United Nations, Kofi Annan, was at the Economic Summit in Davos, Switzerland, calling upon the world to “unite the power of markets with the authority of universal ideals, and . . . to reconcile the creative forces

¹ Although related, Transaction Cognition Theory should not be confused with, and is distinct from, Transaction Cost Economic Theory. The principles of Transaction Cost Economic Theory are utilized in Transaction Cognition Theory to help to identify and rigorously derive the thinking patterns (cognitions) that enable transacting at various levels of analysis.

of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations," a group of forward thinking leaders from a cross-section of First Nations in British Columbia, Canada, decided to convene a "First Nations Wealth Building Think Tank" to explore just such a purpose: to define a transition to market path to "prosperity and cultural well-being" that would focus universal ideals, markets, and entrepreneurship, on the needs of the disadvantaged and future generations in the native community. The primary purpose of these deliberations has been to discover and to enhance awareness within First Nations stakeholder communities, of the actions that lead simultaneously to the twin objectives:

1. Become "masters in our own house," and
2. Eliminate the "dependency economic model."

To this end, the Think Tank, sponsored by the Skeena Native Development Society has met at least quarterly from 1999 to 2001, to consider carefully the role of several "cornerstone" concepts that lead from the centrally planned *on-reserve economy* to market economy possibilities: (1) the entrepreneurial model as an economic alternative to the dependency model, (2) the function of property rights in enabling capital formation, (3) the impact of various native governance assumptions and systems, on property rights and entrepreneurship, and (4) the public policy implications (e.g. legislation, taxation, treaty) of these findings.

My hope in devoting a significant proportion of my scholarly effort toward this initiative is to contribute to the formulation and dissemination of productive and hopeful pathways toward the economic independence of BC First Nations. Several research and teaching projects have been undertaken as a result of this ongoing initiative. These have resulted in outreach, training, and publication outcomes, the most important of which is the publication of a book by the Think Tank: "Masters in Our Own House: The Path to Prosperity," in May of 2003 (please utilize the website: <http://www.snds.bc.ca/master.htm> to obtain a complete downloadable copy of the book. Additionally, I have had the opportunity to present a paper "Recovering from globalization: New models for first nations economic development" on November 8th, 2003 at the Annual Meeting of the Canadian Council for Small Business and Entrepreneurship (CCSBE), held in Victoria BC, November 6 – 8, 2003, and published in the 20th Annual CCSBE Proceedings, # 17; and at the same conference, also had the privilege of co-chairing with Robert Anderson of the University of Regina, a symposium entitled: "The state of the art in native economic development: Innovations and examples" also on November 8th.