

**GLOBALIZATION, ECONOMIC LITERACY,
AND NATIVE ECONOMIC DEVELOPMENT**

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ABSTRACT

While Canada is not considered to be economically disadvantaged, certain peoples within Canada are. For example, economic “mastery in one’s own house” is important to native peoples in Northwest British Columbia, but has not yet been achieved (Nyce, 2003). Thus arises the yet unanswered question: How can such economic dependency be eliminated?

In this chapter I make the case for a new economic literacy in native economic development. I argue that the elimination of economic dependency can only occur by conscientiously repairing the damage from 19th Century globalization, while not missing globalization opportunities in the 21st Century. This means going beyond a simplistic resource redistribution approach, and fostering high levels of economic literacy, based on: (1) key transaction cognitions (as defined herein) in a larger portion of people on-reserve, (2) providing equal opportunities for on-reserve capital formation through attention to property rights, and (3) adjusting or transforming native governance structures; all to minimize the economic entropy from transaction costs.

INTRODUCTION

Globalization has not been kind to native peoples in Northwest British Columbia¹ (NWBC). During the first era of globalization, the strengths of native peoples were ignored, weaknesses were magnified, opportunities were denied, and ongoing threats to traditional economic means of support were entrenched. As the second era of globalization unfolds (Friedman, 2000), we must now ask what is needed to reverse the present economic status quo of dependency, and to accomplish effective economic development.

Through an in-depth analysis process undertaken by the SNDS Think Tank (the Skeena Native Development Society First Nations Think Tank on Wealth Building), economic development has been defined to mean: *prosperity and cultural well being* (Nyce, 2003). The SNDS Think Tank analysis revealed some surprising insights, and has rigorously documented one uncomfortable reality: People who attempt to engage in transacting on native reserves encounter unique obstacles as a result of band council and Canadian government interference in market processes (Nyce, 2003). Consequently the Think Tank identified at least three essentials for economic development:

1. A viable economic model: the clear specification of what is needed for effective entrepreneurship,
2. Workable capital formation processes: institution of effective on-reserve property rights, and
3. On reserve governance: enabling of the market system within a setting that has become so politicized due to funding realities that politics often supersede markets.

In this chapter I attempt to increase understanding of how economic development so defined, can be accomplished for native peoples by expanding somewhat on the work of the SNDS Think Tank. In this process, I explain more fully how the Think Tank's three-cornerstone approach can be generalized to suggest an *economic literacy*-based approach to economic development.

How can native peoples in Northwest BC become masters in their own house? And, how can economic dependency be eliminated? In the remaining sections of this chapter I first offer an approach that can develop preliminary answers to the foregoing questions, as originally proffered by the SNDS Think Tank (Nyce, 2003), and relate them to an unlikely source: globalization. In the two remaining sections, I then develop more fully the concept of economic literacy, and finally conclude with a brief discussion of the implications of the analysis.

GLOBALIZATION: PERILS AND POSSIBILITIES

According to Friedman (2000), past centuries have seen two waves of globalization: one in the 19th century and one at the end of the 20th century. These two waves of globalization appear to be at the root of poverty among native peoples in Northwest British Columbia:

1. Globalization 1: the 1800's;
2. Globalization 2: the late 1900's.

¹ From this point forward, all references to native peoples, aboriginal peoples, First Nations, etc. should be assumed to apply to the Northwest BC area unless otherwise noted; although it appears to be likely that some of my insights and conclusions will apply more generally.

It also appears that mistakes have occurred in both eras—by all parties concerned—that have lead to the present economic situation on native reserves. Unfortunately, mistakes continue to occur that need to be corrected.

Perils: The Case of Native Peoples in Northwest British Columbia

While Canada is not considered to be economically disadvantaged, certain peoples within Canada are. Globalization has not been kind to Canada's native peoples, and one example is native peoples in Northwest British Columbia. In the following paragraphs I hope to explain my earlier assertion that, during the first era of globalization, the strengths of native peoples were ignored and thereby underutilized, weaknesses were magnified, opportunities were denied, and threats to traditional economic means of support were introduced.

Strengths underutilized. Although this chapter is not the place to list the many ways in which the effective application of the economic strength of native peoples was compromised during the colonial period, it is clear from history that prior to the first contact with Europeans during the first wave of globalization, the native economy in Northwest BC was vibrant and successful (Robinson & Wright, 1962 (1936)). Now, as the result of a series of compounding mistakes (Flanagan, 2002; Nyce, 2003), this vibrancy has been reversed: from full employment prior to first contact, to 65% unemployment presently (SNDS, 2000), and the marginalization of many on-reserve stakeholders (Mitchell, 2003a).

Weaknesses magnified. At the time of first contact, native peoples were not in possession of the technologies required to lead in the first wave of globalization. These technologies included, among other things, intercontinental ships and modern firearms (Coates, 1998). Lack of such technologies made native peoples susceptible to colonization through the use of coercive power (Etzioni, 1988). Furthermore, native peoples possessed no natural immunity to such diseases as smallpox, and had little if any cultural preparation for combating the dangers of dependency (Boldt, 1993) (e.g., economic, substance abuse, etc.). When confronted with European colonialism, therefore, these weaknesses magnified the dangers to economic well being that are inherent to transacting among unequally powerful parties, and due to the power imbalance, minimized the likelihood of the continuation of economic prosperity for native peoples (Coates, 1998: 4-5).

Opportunities denied. Both extensive discussions within SNDS Think Tank meetings that surface recent native experience, and a widely accepted reading of native history in NWBC, intimate that colonial policies applied toward native peoples at the time of colonization were designed intentionally (Boldt, 1993: 3) to dispossess such peoples of power, both economically and politically (Coates, 1998: 4), and were effective in doing so. As a result of the reserve system (Flanagan & Alcantara, 2002: 112), and—as I will argue—the continued lack of access to the requisite tools (e.g., de Soto, 2000), fair access to the modern economy has not been available.

Threats introduced. In addition to all of the above, economic threats have been introduced that have compromised the native economy (Boldt, 1993: 223). Perhaps the greatest threat in the present era of globalization has been the systematic marginalization of native peoples (Coates, 1998), such that the utilization of education as an opportunity has instead been interpreted by many members of the on-reserve community to be a threat to cultural identity, because of misuse in past decades of education as a colonial tool (Nyce, 2003). Furthermore, large areas of land have been occupied without treaty, the fishery has been intruded upon, and

physical displacement of people has been the norm when the presence of native peoples has been seen as an impediment to non-native economic plans (Flanagan & Alcantara, 2002; Poelzer, 1998).

As the second era of globalization unfolds, we can now ask what is needed to: (1) reverse the present unacceptable economic status quo, and (2) accomplish effective economic development: *prosperity and cultural well being*. To understand how this can be accomplished for native peoples, I have relied on what I believe to be the economic basics of prosperity and cultural well being worldwide (Mitchell, 2003b). And it is on the foundation provided by these ideas that I have based my analysis.

Globalization, and New Possibilities for Economic Development

Whereas the first era of globalization required ships and guns, the second era of globalization now requires knowledge (Friedman, 2000). Thus, it appears that solutions to present economic dilemmas are likely to be found in the “people side” of economic development. Specifically, I have thoroughly investigated a newly proposed cognitive approach (Mitchell et al., 2002).

It was William James who stated, in essence, that the greatest discovery of the modern age is that we become what we think about (James, 1890). There is now a proven relationship between thinking and doing that is very well documented (Charness, Krampe & Mayer, 1996; Ericsson & Charness, 1994). Thus, the basics of economic development begin with the thinking processes of the people concerned, and the questions arise: What are the thinking processes that people need to be successful in a market economy? And, how do on-reserve economies compare? This led to a more thorough examination of the attributes of the core element in all economic activity: the basic transaction, which in turn has led to a better understanding of transaction thinking and to an analysis of the required mental models for effective economic engagement.

Transaction thinking. By definition, a transaction occurs when an individual creates a “work” (some product or service) and then enters into an exchange relationship with other persons for the sale or acceptance of that work (Gardner, 1993) as illustrated in Figure 1.

(Inset Figure 1 about here)

Transaction cognition theory is an analytical framework that attempts to thoroughly explore the relationship between people’s thinking and their capability to transact successfully. It asserts that there are three sets of cognitions that work together to create a successful transaction:

- Planning cognitions
- Promise cognitions
- Competition cognitions.

Each of the above transaction cognitions consist of specialized mental models or scripts (Arthur, 1994; Neisser, 1967; Read, 1987) that guide individuals’ responses to three principal

sources of market opportunity. Planning-related thinking skills are important because levels of planning affect the levels of difficulty in making transactions happen. Promise-related thinking skills are necessary because transactions must happen through the willing participation of each party to the transaction, which only occurs where the transaction “promises” to be beneficial. Similarly, competition-related thinking skills are necessary because as human beings, we typically want to “get the best product” for our money—and so the work offered for sale must be the most competitive if it is to be purchased by the other person/customer. Where planning, promise and competition thinking skills (cognitions) are sufficient, the difficulty of transacting is reduced, and economic development happens (Mitchell, 2001a).

Transaction costs. In my view, difficulties in transacting are the single greatest enemy of economic prosperity. Transactions become more difficult as “transaction costs” increase. Transaction costs are the costs of running the economic system, and are thought to be similar to friction in a physical system (Arrow, 1969: 48; Williamson, 1985: 19), although to be more precise, it is more likely that they correspond to the concept of entropy, which the *Merriam-Webster Dictionary* defines to be: the degradation of the matter and energy in the universe to an ultimate state of inertness. In short from a value creation perspective, transaction costs degrade the value potential of human transacting. However, economic opportunity occurs when entrepreneurs utilize planning, promise and competition cognitions to enact transactions, which would otherwise fail due to the transaction costs they eliminate through use of transaction cognitions. This is why entrepreneurship-based economic development may be viewed as a cognitive process that fights/reverses economic entropy.

On-reserve transacting has been shown to be many times more difficult (i.e., be subject to higher entropy) than ordinary transacting in a market (please see Mitchell & Morse, 2002; Nyce, 2003 for an in-depth analysis of these added difficulties). My assertion here is that such difficulties stem from the economic development errors that began in Globalization 1 (G1), continue in Globalization 2 (G2), and have yet to be corrected.

ECONOMIC LITERACY

In this section of the chapter, I make the case for a three-prong approach to addressing this reality: that transacting on native reserves in Northwest British Columbia bears a greater entropy burden. As illustrated in Figure 2, and explained in more detail in Table 1, when compared to transacting in an ordinary market economy (e.g. the Canadian economy in general) on-reserve transacting has more than triple the cognitive complexity (please also see Mitchell & Morse, 2002), resulting in increased transaction difficulty, decreased transaction success, and a much higher probability that economic development activities on native reserves will stall, and never restart.

(Insert Table 1 and Figure 2 about here)

Where are these obstacles to efficient transacting, why are they such a problem, and what can be done about them? In the remainder of this section I first address past mistakes, both specific to NWBC, and then expanded to develop the general case. Second, I introduce possible solutions, first for the specific case in NWBC, and second, as expanded to suggest and develop the general notion of *economic literacy*.

Understanding Mistakes from the Past

Current research suggests that transacting obstacles have arisen due to mistakes made in the past (Boldt, 1993; de Soto, 2000; Flanagan, 2002, Nyce, 2003). As I interpret it, this research suggests that many of these mistakes—both political and economic—are the result of misperceptions (often the result of ignorance) on the part of parties involved at the time. This view follows Stoessinger's (1998) explanatory model of low-performance political results (e.g. where violence is the chosen solution mechanism), which suggests that nations go to war as a result of cognitive errors: misperceptions on the part of decision-makers. Building on the Stoessinger (1998) model, Mitchell (2001b) suggests that a decision maker's misperception is the equivalent in the political domain, to misperception in the socioeconomic domain: lacking the successful transaction cognitions needed to reduce transaction costs due to bounded rationality, opportunism, and specificity. Thus, when analyzing low performance political results, it is critical to include a discussion of the political transaction cognitions necessary for high political performance. Mitchell and Morse (2002) identify the political cognitions in the native transacting environment that affect the economic outcomes of that transacting environment: compliance cognitions, self-protection cognitions, and authoritarian cognitions (please see Table 1 and Figure 2).

Economically, there is a key distinction between the first and second waves of globalization that also confirms the importance of cognitive factors: G1 was based on resource acquisition, whereas G2 is based on people—more specifically the knowledge that people possess (Friedman, 2000). Below I argue that the economic development challenges faced by on-reserve native peoples in a G2 world are in large part the effects of G1. And, since political cognitions are based on the misperceptions of decision-makers, this has profound implications in a knowledge-based wave of globalization. Thus, trying to solve the economic problems faced by native peoples through a G1- or resource-focused approach is insufficient. The second wave of globalization requires a second type of problem solving.

What can we learn from better understanding the history? Although it is not my intention to attribute blame for past mistakes to any particular group or individual, new analytical tools that are now available suggest to us that there is no reason for these mistakes or their consequences to be prolonged, and that there is every reason for them to be repaired as soon as possible. All parties can now recognize that these mistakes occurred because the parties involved lacked sufficient information: both the facts (e.g., the devastating nature of smallpox), and the analytical techniques needed for the parties to recognize the scope of their errors. I suggest that this lack of information resulted in the compounding of negative consequences that resulted.

The Native Case

It can be assumed without harm to the argument that the compounding of the error in the case of native peoples can have occurred with the best of intentions (the most demanding construction of the analysis). However, without the clear knowledge of the economic basics that has really only come into currency within the last few decades (e.g., Mitchell, 2001a; Williamson, 1985; Williamson, 1996) it appears to have been impossible to foresee how the effects of past mistakes were likely to have compounded to the extent that they have.

Thus, rather than simply attending to the necessities of reducing the transaction costs of economic development through the enhancement within native peoples of the transaction

cognitions that are necessary for transacting anywhere in the world (Mitchell, 2003b), which would have begun to repair the damage caused by the original error; instead, in attempts to redress the wrong, two complicating elements were introduced with profound negative economic consequences: (1) the ownership of native lands by the Crown (as represented by the Minister of Indian Affairs), and (2) the insertion of Band Councils into almost every element of transacting on reserve.

It has been demonstrated (Mitchell & Morse, 2002), that the mandatory addition of these two additional parties to all transactions expands the cognitive complexity of successful transacting from the mastery of three necessary cognitive maps, to the mastery of ten such maps (as previously illustrated in Figure 2 and described in more detail in Table 1). Thus, attempted redress has NOT been effective repair. And as with any “short circuit,” productive energy is continuing to be re-channeled into useless purposes or to purposes that are even dangerous to economic development (Nyce, 2003). From an economic standpoint, these added layers hinder rather than help. Thus, transaction costs are up, and economic development is down.

The mandatory addition of the Minister of Indian Affairs (Indian and Northern Affairs Canada: INAC) and the reserve system to the basic transaction creates transaction costs due to “dead capital” (deSoto, 2000). People on reserve have homes and buildings, but not capital-building assets. Therefore without the property rights (collective or individual) necessary to create capital, the complexity of capital formation is unduly burdened by transaction costs. Extensive property rights analysis (Nyce, 2003) addresses this topic in more detail.

The mandatory insertion of band councils into transacting is the equivalent of allowing the referees to also play in the game. The resulting confusion, opportunities for corruption, or for venal decision-making, also add transaction costs to economic development that doom it to bear burdens that ordinary transactions within the general Canadian and global market economy do not have to bear. Thus transactions fail, and wealth that could and should be created is dissipated in ineptly conceived bureaucracy.

In hindsight, it is much easier to see the nature of the economic error of past policies and how the consequences have been compounded over the years. If one were to assume for the sake of discussion, however, that throughout the world during the first era of globalization less powerful people were dispossessed, and further that during these periods of colonialism and imperialism that the mistakes made (in light of hindsight) were indeed horrendous; this nevertheless would not account for the disparity in results between those who were somehow able to correct the problems (e.g. in the case of Korea 1950 to 2000, or Singapore 1965 to 2000), and those who have been unable to do so (e.g. Ghana 1950 to 2000, or native peoples under the Canadian Indian Act). Why is this the case?

The General Case

Identification of the original error and the reasons for its compounding are possible using the transaction cognition model. The original error occurred when native peoples were economically sidelined. Because G1 was based upon the acquisition of natural resources, the colonialist model was necessarily geared toward the exploitation of colonies. Thus, the people side of economic development was vastly under considered, as was manifest by the sweatshops of the industrial revolution, or by the economic marginalization of native peoples. The short-sightedness of this error and its compounding negative consequences are still begin being felt throughout the world—especially as G2 replaces the Cold War system as the dominant

transacting system on the planet (Friedman, 2000). It turns out that G2 is vastly larger than G1, and that rather than having natural resources at the wealth creating core, that it is now people within the knowledge economy that are the key factor in economic development.

Thus, the earlier marginalizations under the first globalization system and its aftermath system, the Cold War, turn out to have created—due to the sheer size of G2—one of the greatest economic setbacks in the history of the world, not just for native peoples in NWBC, but for ethnic/ indigenous populations worldwide. In the general case, then, the opportunity costs of G1 thinking are thus enormous, whether it is from ethnic wars, cultural revolutions, the marginalization of women, or reserve systems for native peoples. Under the new rules of G2, any mind that is under or uneducated creates inevitable negative consequences for economic development.

Possible Solutions

Specifically: Northwest British Columbia

What is needed to repair this broken economic system? As noted earlier, a Think Tank on Native wealth creation (Nyce, 2003) has concluded that there are at least three cornerstones of mastery within the native house in NWBC, and for the elimination of dependency:

1. Effective transaction cognitions,
2. Property rights, and
3. Governance.

The economic model upon which Think Tank suggestions and recommendations are based implies that through repair v. redress, means are provided to restore equality to the playing field. It doesn't mean that the Think Tank suggests that INAC or band councils be eliminated; and it does not mean that it advocates individual v. collective property rights; nor does it mean that the Think Tank suggests all business to be good. The economic model recommended, however, does mean lowering transaction costs: reducing the forces of economic entropy in native economics in NWBC.

First and foremost, such reductions are expected to be more likely where the real enemy of economic development is identified as lack of knowledge—specifically, the LACK of, or NON-possession of, transaction cognitions (Mitchell & Morse, 2002; Nyce, 2003). Research has found that wealth creation is directly connected to transaction cognitions in many countries around the world (Mitchell, et al., 2000, 2002). I believe that as research continues, that we will also find that poverty is the result of the absence of transaction cognitions, which is a likely extension of the foregoing research (Mitchell, 2003b). (Interestingly, in my informal observations to date: among prospective entrepreneurs on reserve in Northwest BC, I see no differences between the level of transaction cognitions of native pre-entrepreneurs, and those of non-native pre-entrepreneurs represented by entrepreneurship students at a large BC university.)

Second, reductions in transaction costs can come from eliminating transaction cost-adding players from the field. For example, it has been recommended that First Nations should consider adopting the provisions of the First Nations Land Management Act (Nyce, 2003), to allow dead capital (de Soto, 2000) to come alive for purposes of economic development. Under the First Nations Land Management Act, a land use code takes the place of the politicizing of land use decisions within a case-by case Band Council approval process, thus reducing

transaction costs and assisting capital to “come to life.” It therefore also means that governance systems be revised to support the foregoing.

Thus the pathway in NWBC seems to be clear. Foster high transaction cognitions in a larger portion of the on-reserve population². Provide equal opportunities for on-reserve capital formation through attention to property rights. And adjust or transform governance structures to minimize transaction costs.

How can native peoples in Northwest BC be masters in their own house? And how can economic dependency be eliminated? I believe that it will be by following the recommendations of the Think Tank: by conscientiously repairing the damage from G1, while not missing the opportunities of G2.

More Generally: A Call for Economic Literacy

The argument for high levels of economic literacy begins with an idea paraphrased earlier in this chapter: that the greatest discovery of our modern age is that we become what we think about (William James, 1890). We can then reason that with well over half of the world’s people living in circumstances of economic disadvantage, especially within third and fourth tier economies, it is timely to ask: What are we thinking about?

To answer this question, we must ask how economic conditions and thinking are related. Relevant questions include: What if there were global models of economic wealth creation? What would they look like? What bearing does a global model of transacting have on economic advantage v. disadvantage? (We can only think about what we have somehow learned. Therefore, according to the above logic, economic disadvantage results from a lack of economic literacy.)

What, then, is “economic literacy”?

Based on my research and observations in the case of native economic development in Northwest British Columbia, economic literacy includes: (1) key transaction cognitions (as defined herein) in a larger portion of affected peoples, (2) providing equal opportunities for capital formation through attention to property rights, and (3) adjusting or transforming native governance structures to minimize transaction costs.

Key transaction cognitions. Recent applications of Nobel Prize winning scholarship (Arrow, 1972; Simon, 1978; Coase, 1991) in an award-winning program at the University of Victoria, identify and teach three universal subsets of knowledge that form the creative forces that are at the foundation of global economic literacy: planning, promise, and competition cognitions. Transaction cognition theory—the previously described approach to the achievement of high performance economic results through accurate economic thought—proposes that those who possess these three universal subsets of knowledge are more economically literate, and are therefore more able to enact successful new transactions anywhere on the globe, regardless of culture or political system (Mitchell, 2003b). However, individual economic literacy much be accompanied by economic literacy at the institutional level as well. Thus, an understanding of

² I hope that it is not lost on the reader that the foundation for increasing transaction cognitions is a strong commitment to education. However, I have discovered that there are some methods of education that are more likely to produce transaction cognitions than are others (Mitchell & Chesteen, 1995). And so I advocate models consonant with individual learning styles and the cultural pre-preparation that I find already exists in NWBC.

the relationships necessary for capital formation, especially of the relationship between capital formation and property rights, and between property rights and governance, are also essential elements of economic literacy.

Capital Formation. Noted Peruvian economist, Hernando de Soto asserts that the single most important source of funds for new businesses is a mortgage on an entrepreneur's house (2000: 6). Without this fundamental capability, financial institutions are unwilling to provide mortgage funds to entrepreneurs. To cite de Soto again:

To create credit and generate investment, what people encumber are not the physical assets themselves, but their property representations – the recorded titles or shares – governed by rules that can be enforced nationwide. Money does not earn money. You need a property right before you can make money (2000: 64).

Thus, the second pillar of economic literacy is to generate within affected peoples the capability to enable workable property rights, in the sense expressed by de Soto. Thus I do not in this chapter assert the necessity of individual property rights v. collective property rights. The only necessity for workability is *access* to collateral-creating property representations.

For example, the Native Think Tank in the NWBC case argued that to preserve the continued integrity of the First Nations land base where collective ownership is culturally mandated, that native peoples might only mortgage leasehold interests, or might adopt the provisions of the First Nations Land Management Act, thereby enabling workability (Nyce, 2003). What is needed in the general case, however, is a range of options that are workable for the peoples in question, and this requires not just a land management system but also the actual government institutions capable of facilitating the mechanisms. It therefore requires not only having the political will to build the necessary property system, but also having the governance powers and jurisdiction required for the task: hence, the importance of governance as the third prong in a tripartite approach to economic literacy.

Governance. Since 1986, Stephen Cornell and Joseph P. Kalt have been engaged in the Harvard Project on American Indian Economic Development, described by Dr. Cornell as "...a major, research-based effort to understand the dynamics of self-governance and economic development on American Indian reservations" (undated: 12). Addressing the British Columbia Treaty Commission in 2001, Cornell stated: "at the heart of successful Indian economies lies genuine self-rule. The evidence is that you are unlikely to have one without the other."

The research and deliberations conducted by the SNDS Think Tank, concluded that several necessary conditions for a governance environment within which entrepreneurship could flourish in the NWBC case would be the following (Nyce, 2003):

1. For the peoples in question to be in control of their own lands;
2. For governance in such communities to be both accountable and transparent;
3. For entrepreneurship to be as available within native communities as it is within the national economy in general;
4. For institutions enabling (1) (2) and (3) to be created in harmony with the culture and tradition of affected peoples; and

5. For the a strategic plan for the community, to be developed, reviewable periodically at no greater than five year intervals, and again created in harmony with the culture and tradition of affected peoples.

Thus from my own research and experience in being deeply involved in Think Tank deliberations, I have concluded (along with the Think Tank members voting unanimously) that effective governance, invariably meaning self-government: the creation of effective institutions of governance that produce an environment in which capital formation can proceed with confidence, is a key action necessary for the facilitation of entrepreneurship in the NWBC native case, and is, I believe, an essential cornerstone for economic literacy.

A Call

To begin the process of expanding economic literacy, I included in my annual Winspear Lecture at the University of Victoria in February 2001, a vision in which the world community would undertake human economic literacy as a new initiative. This call was not unrealistic, since the UN Global Compact had already started us down this path. At the Global Economic Forum held in Davos, Switzerland in 1999, UN Secretary General Kofi Annan initiated such calls when he stated: “Let us choose to unite the power of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.”

Accordingly I included the following call in my comments, “Let us therefore, by the year 2011, through a project founded upon the principles of human economic literacy, map a path such that the UN Global Compact truly does ‘reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations’ (Kofi Annan, 1999).”

The Project

The Human Economic Literacy Project initiative as envisioned, accelerates research and application, and develops processes and technology that—over the term of this 10-year pilot project—can make possible within our common future the elimination of widespread economic illiteracy. Upon a foundation of economic literacy, high performance economic results—as uniquely defined within nations and cultures—can become a reality for the majority of the people of the world.

The steps of developing economic literacy (CD, CP, CI, CE) that I envision are as follows:

1. CD (Community Dialogue)
2. CP (Community Priorities)
3. CI (Community Initiatives)
4. CE (Community Evaluation).

At the core of the project is community dialogue. Based upon an informal agreement with the UNDP, four demonstration sites are to be selected in geographically and culturally diverse areas of the world. The community selected would participate in the study by setting the priorities through dialogue, the initiatives through prioritization, and the evaluation through renewed dialogue.

The Proposal

Our examining both the specific NWBC case, and the more general global case, results in new possibilities for entrepreneurship and economic development research. I therefore propose that ethnic/ indigenous communities, paired with local scholars around the globe, consider collaborating in this study by volunteering to serve as demonstration site teams. Researchers would then undertake the foregoing four steps that would identify economic literacy priorities and initiatives from the perspective of the community, but bring to bear the powerful economic tools now available through the application of transaction cognition theory, capital formation/ property rights initiatives, and also governance initiatives (a model of which has been published for general use (Nyce, 2003)). And, where the philanthropic fundraising process identifies granting sources with an interest in this project, it is respectfully requested that this information be provided to the author so that sufficiently funded research teams can be formed.

IMPLICATIONS

Returning to Friedman (2000), please recall that the first wave of globalization was based in resources. In this chapter I have argued that the economic challenges that came as a result of G1 were also resource-focused. Left here, it could be argued that the solution to the economic problems of G1 should continue to appeal to resource-focused solutions (e.g., the economic problems faced due to lack of ships and modern firearms could likely be overcome with ships, modern firearms, a return of the land, etc.). Thus, it might be argued, G1 problems viewed in isolation, are resource-focused, and consequently have only resource-focused solutions as credible redress (e.g., income redistribution). Unfortunately in my observation, it appears that policy makers seem to be trapped in this time-warped, incomplete, and consequently ineffective philosophical box-canyon.

This is because G1 is not the end of the story. To be truly effective, economic development must go beyond the redress-based concepts currently imprisoned in “G1-based reactivity think,” and vigorously pursue repair, using policies and methods that rely instead on G2- based proactivity, cognition-based entrepreneurial thinking, and overall economic literacy. With the end of the Cold War came G2 (Friedman, 2000). And contrary to G1, G2 is people-based, and if people-based, then thinking based. Thus, the abovementioned resource-focused solutions to the problems of G1 can no longer be seen to be sufficient, because with the increased importance placed on knowledge in G2, redress of the physical resources lost under G1 will be insufficient to address the informational problems and opportunities of G2. Thus, these new problems require new, informational solutions. They require economic literacy.

The arbitrary inclusion of resource-focused solutions (e.g., entrepreneurs being subject in on-reserve transacting to the directives of the band council and INAC) has only complicated matters, and has dissipated and will likely continue to dissipate, the energies needed to achieve greater benefits under G2 by frustrating the use of information-based solutions that G2 requires. For example, as noted above, Mitchell and Morse (2002) have observed that ten cognitive maps must be mastered for successful “on-reserve” transacting as compared to the three cognitive maps required in “ordinary” transacting. Furthermore, within the set of ten cognitive maps identified, Mitchell and Morse (2002) note 3 political cognitions that must be mastered. It is my conjecture that these cognitions are required due to the conflict between the G1 and G2 solution sets. Thus, for example, the resource-focused solution set, or *modus operandi* under the current

band council and INAC regimen, directly conflicts with the knowledge-based solution set required by G2 for successful transacting, yielding the massive waste caused by wealth dissipating economic entropy.

The implications of this analysis suggest that a change in policy must be made to minimize the conflict between solution sets. Again, this is not to say that band councils and INAC need be eliminated for successful (lower-entropy) native transacting. Rather, changes must be made that reconcile the differences between G1 and G2 solution sets. In the native case, these changes are seen in the three-pronged economic literacy approach introduced in this chapter:

- First, economic actors must possess the *knowledge* necessary to fully engage the economic model of G2;
- Second, on-reserve property rights must support the G2 solution set rather than replace it (e.g., the development of a land code under the First Nations Land Management Act to bring life to dead capital on-reserve);
- Lastly, on-reserve-governance structures (i.e., band councils and INAC) need to reflect and support the G2 solution set (e.g., the adoption of a Prosperity Code (Nyce, 2003)), as opposed to continuing to attempt the solution set focused only in G1 economic challenges.

Thus, by better understanding the nature of transactions—both political and economic—we better understand how three clear actions for increasing economic literacy can effectively begin to respond to the perils and possibilities of globalization.

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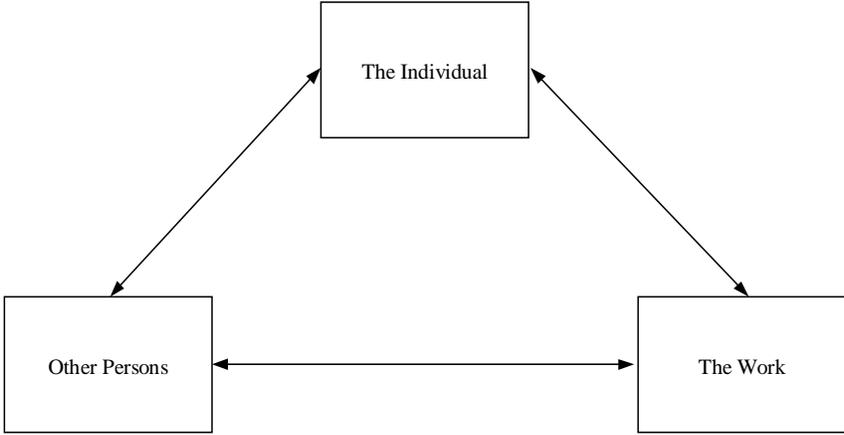
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TABLE 1: Transaction Cognitions Required Due to section 20 of the Indian Act

Transaction Cognitions	Description
Planning Cognitions-1 (PnC)-1	Mental models that assist in developing analytical structure to solve previously unstructured market problems in the provision of the work to those other persons who consume it (e.g., the business plan, which answers the question: What plan is necessary to deliver the work to customers?) (Stevenson, Roberts, & Grousbeck 1994)
(PnC)-2	Mental models that are necessary to ensure band council support of work produced.
(PnC)-3	Mental models that are necessary to ensure that work is approved by/not opposed by, the Minister-INAC.
Promise Cognitions	Mental models that help in promoting trustworthiness in economic relationships with, e.g., stakeholders (Agle, Mitchell, & Sonnenfeld 1999; Mitchell, Agle, & Wood 1997). Stakeholder identification and salience cognitions (Mitchell & Agle 1997) are essential in market relationships. But see political cognitions (below) for the additional promise cognitions required due to section 20 of the Indian Act.
Competition Cognitions-1 (CC)-1	Mental models that can create sustainable competitive advantage in creator-customer interactions about the work (e.g., I/O strategy: differentiation or cost competitiveness (Porter 1980)).
(CC)-2	Mental models needed to manage creator ↔ band council interactions where there is external power exercised with respect to the work (e.g., Resource Dependence strategy (Pfeffer & Salancik 1978)).
(CC)-3	Mental models needed to manage creator ↔ Minister/INAC interactions about the legitimacy of the work (e.g., Institutional theory-based strategy (DiMaggio & Powell 1983)).
Political Cognitions-1 (PoC)-1	Compliance Cognitions: Mental models needed to manage the relationship between market actors (such as customers) and the band council, in light of the statutory duties of INAC.
(PoC)-2	Self-protection Cognitions: Mental models needed to manage the relationship between the band council and INAC, in light of the self-interest concerns of market actors (such as customers).
(PoC)-3	Authoritarian Cognitions: Mental models needed to manage the relationship between market actors (such as customers) and INAC, in light of the power concerns of the band council.

(Source: Mitchell & Morse, 2002, emphasis added)

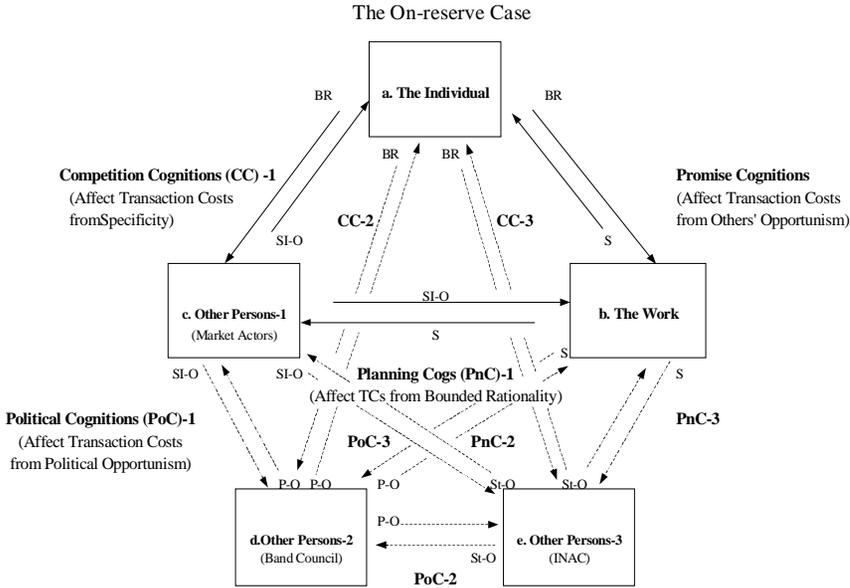
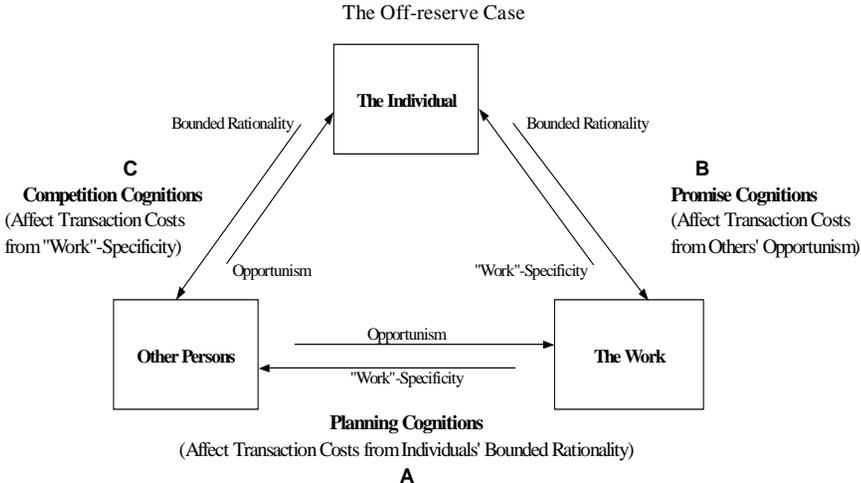
FIGURE 1
The Elements of a Basic Transaction



Based on Gardner (1993)

(Source: Mitchell, 2001a)

Figure 2
 Entrepreneurial Thinking Complexity
 Off- and On-reserve



Based on Gardner (1993); Williamson (1985)

(Source: Nyce, 2003)