

# **Impediments to the Economic Development of Nova Scotia's Largest Micmac Reserve**

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## **Abstract**

*In this paper, I argue that the general poverty of the Canadian Maritimes requires that successful Nova Scotia Micmac economic development projects utilize medium-sized businesses, since small businesses cannot bring sufficient amounts of capital into the community to sustain the population. I further argue that the achievement of successful economic development on Nova Scotia's largest Micmac reserve, Eskasoni, is impeded by a general lack of knowledge of business principles, by political factors in band-owned businesses, and by a traditional, highly positive value on individualism in non-band-owned businesses. The traditional positive value on individualism, a survival from the Micmac hunter-gatherer past, prevents the growth of small non-band-owned businesses into medium-sized ones. Finally, I argue that the federal government should assist the Micmac with their economic development by encouraging medium-sized businesses to locate near reserves, and employ Micmac workers, which will bring additional money into the region and train Micmac workers in the skills needed to operate medium-sized businesses of their own.*

## **Introduction**

The subject of economic development in North American Indian communities has attracted a good deal of attention in the press over the years. Ideas are numerous as to why Indian people have not generally derived as much wealth from entrepreneurship as have non-Indians. These range from the very general, such as a dependence upon the federal government and federal paternalism (Armstrong 1982; Darlin 1997; Sullivan 1986; Holmstrom 1993) to the very specific, such as the impact of anti-fur-clothing sentiments on trapping Indians (Francis 1988). There are many others. This paper will present what I feel to be the three most important impediments to economic development on Nova Scotia's largest Micmac reserve, Eskasoni, located on Cape Breton Island.

## **The Need for Medium-sized Businesses**

In Nova Scotia, the poor economy of the entire Maritime region dictates that successful Micmac economic development businesses must bring in money from outside the region. Presently, in most Nova Scotia Micmac communities, the vast majority of businesses have been small businesses. And, like most small businesses, they have done little or nothing to accomplish the goal of bringing capital into the region, since they essentially do no more than take goods produced elsewhere and sell them locally. In other

words, federal assistance dollars come to the community from the federal government, are spent on goods produced elsewhere, and the money flows out of the community nearly as fast as the federal government puts it in.

Small businesses can, of course, sell products and services outside of their own regions, but unless they grow in size their overall economic effect will remain negligible. And, to be sure, small businesses which sell outside their own vicinities are by far the exception rather than the rule. The goal must be to create businesses which can tap external markets of significant size.

For several decades now, the Canadian federal government has been giving Nova Scotia's largest band monies to start medium-sized businesses. A major obstacle to the successful operation of these businesses has been the fact that the Cape Breton Island Micmac lack a general knowledge of how to successfully operate medium or large-sized businesses. Such knowledge, of course, is not a part of traditional knowledge systems. This point was made very well by Glenn Fredericks, co-chair of the Alaska Federation of Natives, when he spoke about the use of monies his peoples gained in land claims cases, and the expectations of the federal government: "We weren't trained to run corporations. . . . They threw all this money at us and said, 'Make a profit.'" (Baumgartner 1986). Some Micmac people, at least, speculate that the Canadian federal government

gives Micmac bands economic development monies to start medium-sized businesses, which they claim federal authorities know will fail, for the purpose of publicly humiliating the Micmac people.

### **The Impediment of Political Interference**

The second problem facing successful economic development is political interference. In situations in which the federal government has attempted to start medium-sized businesses, it creates a partnership with the band, in which the band owns 51 percent or more of the enterprise. The practice of giving tribes and bands direct financial subsidies to assist them in creating band-owned businesses is fulfilling from an ideological perspective, in that it avoids some federal paternalism by allowing Indian groups greater control over their destinies. It is also very popular with Indian leaders, for this very reason. Still, ideological satisfaction and political popularity are not the same thing as financial success. David Boyd, a Lakota entrepreneur, expressed the major shortcoming of this policy as well as anyone could:

Tribal entities are run like there is an endless supply of cash. They don't operate off a profit mode; they operate off an employment mode. They would rather have jobs than profits and I think that is where most of them are hurt. When they start a project, the first thing they want to do is hire as many people as they can, rather than setting it up to make a profit and gradually growing into those jobs (Davis-Bird 1997).

Many Indian leaders run tribe/band-owned businesses this way due to intense political pressure from their constituents for employment. If they wish to remain in office, their supporters have to be employed. The all-too-frequent result, at least as I have known it among the Cape Breton Micmac, is that the business hires too many people to remain economically viable.

Indeed, in the published literature on tribal/band enterprises, many of the success stories involve groups which have overcome the problem of political intrusion in hiring. For example, the people of the Warm Springs reservation in Oregon have managed considerable business success with a resort, lumber mill and hydropower plant, collectively earning 50 million dollars per year. They accomplished this at least in part by separating the politics of the group from the business

decisions, by hiring workers on the basis of their qualifications rather than for political reasons (Germani 1984). The Cherokee have vastly improved their economic development by taking a more pro-business stance politically, by learning about and taking full advantage of federal programs, and by establishing an anti-nepotism provision which prevents the hiring of immediate family members of elected officials (Sunoo 1997). One of the reasons that the Kootenai of northern Idaho succeeded with a motel development is because they addressed the problem of tribal politics by using an outside management company to do the hiring, with the ultimate goal, achieved, of replacing non-Indians with Indian workers trained to do the necessary jobs. According to the chief of the northern Idaho Kootenai, Raymond Abraham, "The failure of a lot of Indian businesses is because the tribe wants to manage them on their own" (Miller 1986).

On the largest reserve in Nova Scotia, because the chief (an elected official, not a chief in the anthropological sense) represents the band, he is cast in the position of managing band-owned business enterprises. And because the Micmac culture places such a strong high value on individualism, as described below, it dictates that he hold sole responsibility for these businesses. Therefore, he understandably demands complete control over them. But since the chief is a politician first, and a businessman only secondly, his political needs come before the business's needs, as discussed above. For this and other reasons, all band-owned businesses created in this fashion have failed, with one partial exception.

Therefore, I conclude that successful business development demands businesses which either are not band-owned, or band/tribe ownership in which the band/tribe keeps political concerns from hindering the business, or both. However, since removing political interference from hiring is a very difficult thing to do in actuality, it would probably be best for federal governments to create and enlarge non-band-owned businesses.

### **The Impediment of Micmac Individualism**

On the other hand, Micmac non-band-owned businesses face a problem of their own, one which I consider to be the third major impediment to economic development on Nova Scotia's largest reserve. There, all non-band-owned businesses are small and never grow

to a medium size. This is because of cultural values limiting authority to single individuals. Micmac businesses with single operators usually do quite well, but all non-band-owned businesses with multiple operators either split into separate one-owner businesses or become single operator businesses by virtue of one operator ousting all others from control. This means that non-band-owned businesses can grow no larger than those which single individuals can manage, and certainly not to medium size.

The cultural principle behind this effect was expressed by a Blackfeet woman, Emorie Davis-Bird, when she said that "business principles are difficult for Indians to adopt because Indians are traditionally givers rather than takers" (as paraphrased by Jahrig 1997). What I understand her meaning to be is that among many Indian peoples, and certainly among the Cape Breton Micmac, it is much better to be a giver than a receiver (and of course there are both, since for there to be giving there must be receiving). Giving brings prestige, while receiving brings the opposite. And business success requires that a business receive more value than it gives.

The reason for this principle can be understood in the following manner. Popular wisdom holds that the Micmac and other hunter-gatherers (or those recently so) are communal. This idea survives due to a misunderstanding concerning the prevalence and importance of sharing. The great amount of sharing seen in these societies was thought by some to be a right, when in fact no such right to the property of another individual or the group exists. In fact, all property is individually owned, with the exception of band-owned property, a category of ownership imposed by the Canadian government. Instead, people strive to share with others at least partly to increase personal prestige, and seek to avoid being the recipient of shared wealth so as to avoid being seen as needing charity. Those who work hard and productively and who share the fruits of their labor enjoy prestige and, if their other qualities warrant, positions of leadership. Those who do not or cannot work productively and who live on the largesse of others, are often looked down upon, and their opinions rarely carry any weight in political discussions. This certainly makes sense in light of the realities of surviving in a harsh environment (during the hunting and gathering era), since a society needs to reward its most productive members if they are to continue to produce enough material wealth to support others. It also makes sense that the most productive lead, from the

point of view of the followers. Individuals benefit materially by remaining at the side of productive leaders, because the leaders seek to gain prestige and power by giving material wealth to their followers. People also stay close to productive hunters/fishers in order to benefit from their greater hunting and fishing expertise (Strouthes 1997).

This system of rewarding the productive and generous individuals and disregarding the unproductive has produced strong-willed individuals, people who possess great self reliance and initiative, and who are accustomed to great personal freedom. Among the Micmac, this emphasis on the individual produces a general reluctance to accept authority, but more importantly, an absolute inability to share authority. One can see this very clearly in patterns of authority in Micmac non-band-owned business enterprises. All non-band-owned businesses on the reserve are operated by one individual. Those which began as multiple-operator enterprises invariably ended up as single-operator enterprises.

The following cases, from Nova Scotia's largest reserve, demonstrate this process:

"George" and "Andrea" (all Micmac names are disguised) are husband and wife. They created and operated a small convenience store together on the reserve. After several years of partnership, Andrea left the store completely in the hands of her husband, to sell goods at various temporary events, such as powwows and political meetings. Later, she purchased and operated a restaurant.

In most cases in which husbands and wives operate businesses, they begin with separate businesses and never share operation of them.

"Joe" and "Fred" went into business together to trap eels for sale to a local buyer. Within just a few weeks the two separated, leaving Joe in control of the business. Joe claimed that Fred was leaving him to do all of the work. Fred claimed that he had lent Joe a great deal of money, and that Joe should work alone for a while as a way of paying him back. Fred started his own fishing business and there are now two one-operator enterprises where there previously was one multiple-operator enterprise.

"John" ran a successful combination grocery store and gasoline filling station. When he died, he left a will giving ownership of the business to a son and to a daughter's son. Within months, the son had wrested complete control of the store from his sister's son. Although the grandson has no authority in operating the business, he does earn a large percentage of the profits because he still owns half of the business.

Single individuals operate all non-band-owned businesses on the reserve. This does not mean that all non-band-owned businesses are single-person enterprises. Far from it. There are many enterprises which collectively employ many dozens of workers. Workers are willing to accept their employers' authority, within limits. But the sharing of authority between partners does not last long. The significance of this pattern is that it does not allow the kind of shared responsibility and shared/delegated authority which medium-sized and larger businesses require.

If the Canadian government is genuinely interested in promoting medium-sized businesses for Micmac and other Indian peoples, businesses that can bring in large amounts of cash from large and distant markets and that can reap the benefits of economies of scale, then it cannot continue to pursue the present practice of giving loans/grants for existing or new Micmac business ventures, in the hopes that simply giving more money will result in business growth.

### **Some Requirements for Successful Economic Development**

I am firmly convinced that, under certain conditions, the Micmac people of Cape Breton Island can achieve successful economic development. Some of these conditions are as follows.

Successful future economic development businesses must be located nearby but not on the reserves. All businesses located on the reserve must be, by Canadian federal law, owned in the majority by Indian band members, groups of band members, or by an Indian band itself. Therefore, a medium-sized business opened on the reserve would likely fail if owned by an individual, or group of individuals, due to the traditional value on individualism in authority. It would also be prone to

failure if owned by the band, for the aforementioned reason of political interference in hiring.

Moreover, the medium-sized businesses created must be managed by competent business people whose only interest is the success of the project. Then such a business can be enticed to employ Micmac workers, pay them a decent wage, and encourage them to take management positions. Though this solution has the disadvantage of being somewhat paternalistic, it does offer the following advantages:

1. It would create badly needed employment. It is beyond the ability of small businesses to employ very many more people than are already employed, due to the poverty of the regional economy.
2. Successful medium-sized businesses with Micmac employees would give those Micmac employees valuable experience in and a general knowledge of starting and operating medium-sized businesses, experience which is absolutely necessary for success, but which the Micmac people have not heretofore enjoyed. One cannot expect people who have no direct knowledge of medium-sized businesses to be able to run one merely with a grant and a business plan.
3. This experience would also allow Micmac managers to learn how to share and delegate authority in business. Some might argue that this process would be acculturative and thus unacceptable on this ground alone. That it would be acculturative may or may not be true. I would counter this argument by stating continued dependence on federal social assistance is far more damaging to traditional culture, and that economic self-sufficiency would therefore tend to preserve rather than erode traditional culture.
4. The business would introduce more capital into the community, in the form of workers' wages. This extra capital would increase the number and profitability of those small businesses already on the reserve, resulting in additional employment.

## Notes

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