Native and Local Economics: 
A Consideration of Economic Evolution and the Next Economy

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ABSTRACT. A growing body of social-scientific literature drawing on the experience of village-based northern bush economies demonstrates that adaptation to industrial economy entrepreneurial opportunities is both difficult and problematic. An analysis of the basic social and administrative structures of the bush, industrial and "next" economies (those focused on information and service) reveals that the bush economy has many shared structural parallels with the next economy and that this congruence can be exploited by members of the bush economy seeking next economy business opportunities. In particular it is noted that the bush economy household unit of production has strong affinities to the re-emergence of small businesses based on a family model, generalist skills, cooperative management, utilization of appropriate new technology, disintermediation and emphasis on the integration of work with the entrepreneur's cultural and personal values. A model is proposed for community-based share offerings and is developed to include community corporate culture, local employee training and the creation of new business opportunities. This model emphasizes the retention of locally generated capital in the community and its utilization for the start-up of a variety of businesses in the information and service sector.

Key words: village and bush economies, next (information and service) economy, native economic development, community-based development, entrepreneurship

INTRODUCTION

The purpose of this paper is to discuss the current trend of economic evolution away from the industrial economy to the next economy, sometimes referred to as the information and service economy, in the context of native and local aspirations for community-based, sustainable development. Direct evidence of the emerging importance of the information and service industries to Canada as a whole indicates that during the period 1975-85 over 1 180 000 new jobs were created in the field of community, business and personal services (Clarkson Gordon, 1986:6). These include educational, health and social services, accommodation and beverage services, amusement and recreation. Second and third leaders in new job creation during this period were trade (350 000 jobs) and finance, insurance and real estate (170 000 jobs). Interestingly enough, the traditional sources of Canadian (and northern) employment in the resource sector (forestry, fishing and trapping, mining, quarries and oil wells) produced collectively only 70 000 new jobs. Clearly the overall job landscape of the country, both South and North, is changing, and goods-producing industries are significantly behind service industries. In 1985, just over seven in ten working Canadians were employed in the service sector. This is more than 1.8 million more than in 1975 and represents a 31% increase for the decade. During this period there was virtually no growth in the goods-producing industries.

Given the above phenomena, it is time to question once again, albeit from a slightly different angle, the relevance of linking northern development to resource industry megaprojects of the industrial economy. As noted by Berger (1977:123):

It is self-deception to believe that large-scale industrial development would end unemployment and underemployment of native people in the North. In the first place, we have always overestimated the extent to which native people are unemployed and underemployed by understating their continued reliance on the land. Secondly, we have never fully recognized that industrial development has, in itself, contributed to social, economic, and geographic dislocation among native people.

While Berger's arguments were developed in a northern Canadian context, they are also increasingly linked to other northern regions that reflect the hinterland/metropolis dependency relationship. Berger (1985) continued developing ideas for the promotion of regional diversification by strengthening the renewable resource sector. In the promotion of traditional strengths, Berger (1985:55) wrote that the economy of subsistence lies at the heart of culture and "enables the Native peoples to feel at one with their ancestors, at home in the present, confident of the future."

While sustained contact with the dominant society has, of course, altered the northern subsistence economy, it still remains as the core of village economy in Alaska, and arguably in most traditional communities in the Canadian North as well. Today
this economy of subsistence, of the village, of the land, of the bush, is really an adaptive utilization of a renewable resource base with many sophisticated linkages to the wage economy.

Lest one think the vitally adaptive nature of the bush economy is exclusively a northern phenomenon, it is important to understand that it also exists, in slightly modified form, in the Maritimes. The Newfoundland Royal Commission on Employment and Unemployment recently documented the persistence of occupational pluralism, flexibility, adaptability, home production, the rhythm of a seasonal lifestyle and household self-reliance (House, 1986). The commission noted that misguided mainlanders had for years tried to convince Newfoundlanders that the urban-industrial model would bring economic health, only to be proven wrong in a series of failed megaprojects. "In almost all of the blueprints offered to us for industrialization" the commission noted that local strengths "have been seen as barriers to economic development" (House, 1986:8). It is interesting to note that the commission found indigenous local strengths well suited to a new dream of a post-industrial society of decentralized workplaces, self-governing communities and a service-dominated economy. In the same vein as Berger, House urged residents of the hinterland to abandon externally imposed industrial economy development plans in favour of locally developed ones with the sanction of indigenous culture.

Armed with the foregoing analyses of the persistence of the bush (or village, or indigenous) economy and the emerging importance of the next (or information and service) economy, this paper analyzes the basic components of the bush, industrial and next economies, with a view to determining the optimum point of entry for the northern entrepreneur. This person is at best a marginal participant in the bush economy and one who knows well the frustrations of previous attempts at entry to the industrial economy. He or she now seeks a business opportunity that melds local skills with a sustainable regional business venture. Such a venture will not depend on resource megaprojects for either its start-up or the majority of its cash flow. While megaprojects may provide local contracts, these must be viewed as only part of a menu of successful business development.

In concept this paper owes a large intellectual debt to Paul Hawken, author of The Next Economy (1983) and self-taught consultant and businessman. He is the co-author (with James Ogilvy, of Science Research Institute International, and Peter Schwartz, of Royal Dutch Shell) of Seven Tomorrows: Toward a Voluntary History. Hawken is also the economic editor of Coevolution Quarterly. He holds no academic degrees but is widely sought out by industry, government, foundations and non-profit organizations for his economic commentary and advice. His company, Smith and Hawken, Ltd., sells high quality household tools on a mail order basis in Sausalito, California, and allows him to practice what he preaches.

Readers who strongly aspire to jobs in big business in the manipulative upper strata of the industrial economy will resist this paper's central thesis: namely, that we are in the process of economic system change, away from large-scale production, homogeneity of style, the cornering of markets, the consumptive ethic, the pursuit of specialized skills in narrowly defined fields and professions, wasteful use of energy and natural resources and a tolerance for ever-declining standards of environmental health.

This paper argues for adaptation to the next economy with a view to capitalizing on concepts of small-scale production, regionalism, sharing markets, a respect for consumerism, the championing of the Renaissance Man approach to education, energy conservation and a strongly re-emergent sense of environmental stewardship. In Hawken's analysis (1983:110-111), the next economy will reverse the mass-to-information ratio of the industrial economy. Rather than rewarding people for specialization and consumption, the next economy will reward those with general skills who are highly self-sufficient and relatively less reliant on specialists. A higher ratio of information to mass implies that each entrepreneur in the next economy will be information rich and experience wise.

THE BUSH ECONOMY

The term bush economy is used here to describe the economy of small, traditional, northern communities reliant on renewable resource gathering and harvesting for their livelihood. While the antecedents of the modern form of the bush economy are as old as man's occupation of the continent, the modern form incorporates a new reliance on the household, normally a family-related group, mechanized bush transportation, guns, radios, store-bought traps and snares and, increasingly, a strongly proprietary concept of hunting, gathering and trapping areas. While the old traditions of sharing, loaning, trading and bartering persist in the bush economy, along with the strong cultural ties of language, marriage and cosmology, new traditions and cultural adaptations are emerging.

It is this mix of old and new that gives evolutionary thrust to the bush economy and spurs its survival in the 1980s. "Again and again people have said that one or another Indian society was dead or dying - only to discover, sometimes fifty years later, that it was still alive" (Brody, 1981:283). Native people all over Canada have shown just how resilient the bush economy can be in the face of continuing industrial economic expansion.

A recent anthropological and economic analysis by DeLancey and Usher (1986) characterizes the household as the most readily observable unit of both production and consumption in the bush economy. The authors demonstrate that this combination of production and consumption in one unit is sharply at odds with the split of these functions in the industrial economy. The basic unit of production in the industrial economy is the company, and this unit is separated by a host of intermediaries from the individual consumer. Where the bush economy is family centred, cooperative and sharing, the company is hierarchical, divorced from the family and competitive. The household unit is generally more stable over time, endures for many years and loses or gains membership through natural processes. A company's fortunes rise and fall with the market and executive skill, and its loss or gain of employees is based solely on the bottom line of economic performance.

It should also be noted that the bush economy actively supports generalizable skills and cannot sustain many specialists. Householders must be flexible and proficient in harvesting, gathering, processing, servicing and other ancillary support activities. The hunter whose skidoo breaks down in the bush cannot rely on the services of a helicopter-borne mechanic - he must be mechanically self-reliant and intellectually self-sufficient. In Hawken's analysis (1983:111) such a person is reliant on information capital and demonstrates a higher ratio of information to mass in his work. He cannot rely on intermediaries to cope with breakdowns, and he cannot afford excessive
services of intermediaries in capital goods exchanges. To a trapper the retailer's mark-up is cause enough to deal with a wholesaler. The mail order catalogue is a key source document in the bush economy because it represents direct dealing without the interference of aggressive and superfluous retail clerks.

In very basic terms the bush economy cannot sustain expensive linkages between its basic components. Lawyers, MBAs, accountants and sales people would be severe drags on its efficiency and capacity, and thus they are largely irrelevant to the bush household. Adversary relationships are extremely damaging to householder efficiency and are consequently avoided whenever possible. Over-consumption of harvest commodities is also a dangerous threat to the welfare of the bush economy, and householders are taught from an early age to conserve country food, fur, energy and equipment. The household in the bush economy tends therefore to be information rich and mass poor. Because of the lack of differentiation between tasks, the avoidance of over-specialization and the involvement of all members of the household in harvesting, processing, servicing and supporting tasks, work is not separated from leisure to the same degree as in industrial economies. Consequently one often hears members of bush households make comments such as:

You know — I have never worked more than three months in my life. I have always had to quit a job in September in order to go back out on the trapline. [Dave Gray, in Kelly Lake, B.C., pers. comm. 1982.]

In the bush economy family life, leisure, work and aging are integrated into a cohesive whole. Humanitarian values and a conservative ethic guide household life, and a profound sense of environmental stewardship guides relations with the natural world. As we shall see in the next section on the industrial economy, in many respects it is the antithesis of the bush economy thesis. We shall later argue that the next economy represents a useful synthesis.

THE INDUSTRIAL ECONOMY

The term industrial economy is used here to describe the dominant economy of the capitalist first and second worlds. The antecedents of this economy go back some 12,000 years to the start of the agricultural age, when proprietary land ownership and surplus crop production allowed differentiation of social status and the creation of a religious elite and stimulated the development of a host of intermediate roles between economic components. As we have seen in the discussion of the bush economy, the industrial economy fundamentally interprets the roles of producer and consumer as company and individual. The ranking elite in the corporate hierarchy exist to harness the work of other individuals (labour), vast supplies of cheap power (energy) and equity and debt financing (capital) in the cause of production. In this system labour, energy and capital are viewed as separate commodities of exchange. By exploiting cheap energy and labour in the cause of mass production, large industrial conglomerates have grown up, and currently this trend continues in our society in the form of corporate mergers and acquisitions.

The natural trend in this economy is to expansion. As Hawken noted (1983: 110), an idea becomes a shop, a shop becomes a chain and a chain becomes an industry — for example, General Motors, Esso and McDonald's. Small businesses that cannot compete against the expansionist trend quickly are submerged. Aggressive mass media campaigns run by classic non-essential intermediaries (advertising agencies) create mass desire daily for non-essential products. Galbraith (1958) first exposed and analyzed this system, and it is remarkable the degree to which conspicuous consumption of non-essentials continues into the 1980s. Nader (1969) made a similar contribution to the analytical study of the industrial economy and exposed the deliberate use of built-in obsolescence by the automobile industry. Hawken's (1983) analysis contributed the concepts of intermediation and homogenization, whereby large-scale production requires product uniformity and long-duration production runs to maximize efficiency and thus profit. The end result is a lot of products that look, feel and often taste the same.

Just as the industrial economy exists to expand, promote intermediation and homogenize and maintain a high mass-to-information ratio, so does it produce high levels (mass, once again) of waste, anxiety, pollution and toxicity. It is an understatement to say that the industrial economy and the natural world are working at cross purposes. With the separation of production and consumption and corporate and individual interests, the environmental degradation of the producer is often hidden from the consumer, and vice versa. Consequently the industrial society differs greatly from the bush society in the proximity of causes and effects. When the household is the primary unit of production and consumption, it is hard to sweep waste and pollution and cause and effect from the eyes of the family. Whereas the bush economy relies on the contributions of household generalists, the industrial economy relies heavily on corporate specialists. Lawyers, MBAs and accountants fill an important intermediary niche at all levels of the hierarchy. In their respective roles as guardians of narrow bodies of expertise they effectively filter most information flow between and among economic components. Those who aspire to the highest levels of corporate management have little choice but to master one of the professional business disciplines, and as corporate mergers and acquisitions increase business complexity, fast-track management aspirants will increasingly seek out double-barrelled professional qualifications. At the level of senior management all of this expertise is used to manage adversarial relationships with other companies, government regulatory agencies and aggrieved consumers. And at the end of eight to twelve hours of adversarial battle the senior corporate manager returns home to a household in the suburbs to try to totally distance himself from the events of the day. The worlds of home and work are divided by more than asphalt in the industrial economy.

From the above analysis it becomes clear that bush economy generalists, who favour the household unit of production and consumption, who daily live in close proximity to cause and effect of their actions, who are accustomed to mediating disputes and sharing the harvest, who are information rather than capital rich and who are by their nature conservers and stewards of the natural environment, will not easily fit into the industrial economy. Armed with this awareness we may now proceed to an analysis of the next economy.

THE NEXT ECONOMY

The term next economy is used here to describe the post-industrial economy, one predicated on energy conservation, capital conservation and knowledge intensification. In a burgeoning popular literature on the next economy we have been deluged with buzz words and buzz phrases: quality circles,
low-level status differentiation, intrapreneurship, team product assembly, synergism, management by walking around, decentralization, matrix management, theory Z, management by objectives, skunk camp, wellness, corporate culture, demassing, niches, knowledge capital, out-sourcing and disintermediation, to recite but a few (Business Week, 1986). Faced with signs of growing economic crises, business executives have been latching onto any management idea that looks like a quick fix. This paper argues that in reality the time for quick fixes is past. We are now in a period of transition between economies and are witnessing the relative decline of the mass economy, the economy of the industrial age, a period during which nations amassed enormous manufacturing capabilities that depended on the large scale extraction of resources, particularly fossil fuels. [Hawken, 1983:2.]

Given that economic growth and inexpensive natural resource exploitation could not continue forever and that an economic contraction was (is) inevitable, the onset of the next economy should come as no surprise. In fact, its gradual appearance should be welcomed.

While the formation of the OPEC producers' cartel in 1973 can be logically viewed as a key date in the next economy's birthing trauma, its birth was predicted in 1949 by Hubbert. His startling prediction (at a United Nations-sponsored meeting on natural resources conservation) that the fossil fuel era would be of a very short duration was on the front page of The New York Times the next day (Clark, 1983). Hubbert challenged the reigning experts in the energy forecasting business by taking reserve estimates accepted by the petroleum industry and mathematically extrapolating them to show (if his analysis was accurate) that 90% of the recoverable crude in the Lower 48 will be gone before the year 2000. In 1961 Hubbert revised his calculations for the National Academy of Sciences, basing his estimates on discoveries vs. the rate of exploration. His new analysis proved very close to figures that were widely accepted in the 1970s. In 1961 Hubbert predicted that Lower 48 natural gas supplies would peak in 1975; in fact they peaked in 1973 (Clark, 1983:21-22). More recently Hubbert has focused his thinking on the incompatibility of the science of matter-energy and the money system. In simple terms Hubbert questioned how the industrial economy can continue when the matter-energy system is limited and money's growth is not. In his own words:

I was in New York in the 30's. I had a box seat at the depression. I can assure you it was a very educational experience. We shut the country down because of monetary reasons. We had manpower and abundant raw materials. Yet we shut the country down. We're doing the same kind of thing now but with a different material outlook. We are not in the position we were in 1929-30 with regard to the future. Then the physical system was ready to roll. This time it's not. We are in a crisis in the evolution of human society. It's unique to both human and geologic history. It has never happened before and it can't possibly happen again. You can only use oil once. You can only use metals once. Soon all the oil is going to be burned and all the metals mined and scattered. (Clark, 1983:22).

While the above-mentioned crisis is frightening in itself, Hubbert's view was that society can and will adapt. He predicted the price will be the abandonment of the work ethic and the idea that sustained growth is possible and normal. Hubbert foresaw a coming period of intellectual turmoil to rival that of the period 1780-1880 when Hutton, Lyell and Darwin gave the world the geologic, as opposed to the Biblical, view of history and evolution.

Hawken, however, foresaw a peaceful revolution in place of Hubbert's turmoil and crisis. This revolution will be one of rethinking and redesign of virtually every product, process and service (Hawken, 1983:214-215). When the rethinking/redesign revolution is over, companies will be smaller and consumers smarter. Adversary relationships, expensive regulatory processes and the role of specialists will be at an end. Conspicuous consumption, mass production and built-in obsolescence will be replaced by consumerism and conservatism. Most classes of intermediaries, especially business professionals, advertising agency personnel and retail sales workers, will be re-employed in more productive capacities. Informal education, generalist capabilities and information capital will ally with computers to create an information-rich society. In this society the individual will succeed in direct proportion to the degree that his leisure and work are integrated.

Returning now to the native and local entrepreneur and the bush economy, we can begin to set up some parallels with the next economy. The list in Table 1 of parallels is not meant to be exhaustive; it is rather intended to suggest the emerging similarity between the bush economy and the next economy. The next step in this analysis for the native and local entrepreneur involves taking stock of bush economy skills at the community level and blending them with a next economy economic opportunity.

JOINING THE NEXT ECONOMY

Moving from thinking to doing is always a difficult process, and never more so than when the activity involved is setting up a new business. In this section of the paper we will consider a series of steps leading to the creation of a next economy small business. In this process we will be guided by Figure 1, showing a model graphically portraying four planning components on two axes: (1) community strategy, (2) business development options, (3) equity offer options, and (4) employee training, development and business opportunities.

The underlying principle of this model is provision of an opportunity for broad-based community equity and employment participation in a chosen small business venture. As well, there is also an opportunity for external equity participation by governments and corporations. The model builds on the notion that people take more responsibility for and apply more scrutiny to the development of a small business venture when they own a piece of it. By instituting community equity participation, the bush economy household unit and its strong values of sharing, self-reliance, environmental stewardship and integration of production and consumption are boosted to the community level. This is really the philosophical starting point of the next economy model in native and local economics.

From this community ownership base native and local entrepreneurs can develop specific strategies for participation in the information and service economy. These strategies must realistically be based on community capabilities and needs. They should build on local strengths and information capital, and they should work toward the goal of community self-reliance. Stemming the leakage of community monies to outside markets is a good place to start strategizing. Consider the following questions:

- Where does the community buy its groceries, automobile gas, clothing, heating fuel, banking and leisure services?
- Who owns the businesses and profits by the above expenditures?
emphasis on doing it right the first time, and taking time to do a job well
living a life richer in knowledge and personal development than money capital

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**TABLE 1. Bush economy parallels with the next economy**

<table>
<thead>
<tr>
<th>Bush economy</th>
<th>Next economy</th>
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<tr>
<td>household unit of production and consumption</td>
<td>re-emergence of small business based on family model</td>
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<tr>
<td>reliance on informal learning and generalist skills</td>
<td>moving away from professionalism to broad-based skills</td>
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<tr>
<td>shared responsibility within the household unit for a wide variety of tasks; sharing of harvest profit with extended family kinship network</td>
<td>moving away from hierarchical organization to cooperative management, profit sharing and employee stock ownership</td>
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<tr>
<td>utilization of appropriate new technology (e.g., the skidoo and bush radios) to improve harvest efficiency</td>
<td>utilization of new computer technology to manage information more efficiently</td>
</tr>
<tr>
<td>disinterest in the service of intermediaries (e.g., reliance on mail order service)</td>
<td>disintermediation caused by contraction of the economic system</td>
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<tr>
<td>focus on self-reliance and self-sufficiency as household philosophy</td>
<td>focus on self-reliance and self-sufficiency as small business culture</td>
</tr>
<tr>
<td>emphasis on integration of work and leisure within household unit of production</td>
<td>emphasis on integration of small business with entrepreneur’s values and loves</td>
</tr>
<tr>
<td>strong sense of environmental stewardship, and the importance of conservation</td>
<td>re-emergence of environmental ethic among entrepreneurs, and use of the ethic to build small business markets (e.g., wilderness tour companies, Greenpeace direct mail fund raising, mountain bikes!)</td>
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<tr>
<td>importance of stamina and physical fitness, whole foods and holistic medicine to maintaining the lifestyle</td>
<td>increasing emphasis on physical fitness, and linkage of physical to mental fitness; re-emergence of whole food and drink market begun in 1960s; breakdown of medical profession’s control of expertise (e.g., midwifery and paramedical practice growth)</td>
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- How much in total of these expenditures takes place away from the community?
- What can the community do to assert a greater degree of self-reliance and self-sufficiency?
- What unique community values should form the basis of the community’s corporate culture?
- What business(es) make the most economic and social sense to the community?
- Where do we go from here?

While the above questions deal in community terms and needs exclusively, it is now time for the native and local entrepreneurs to step forward with their special skills.

It is up to these people to focus on the individual business opportunities that come to light in the strategy session. The entrepreneurs are always a small group in any society. They are the men and women who are conspicuous as organizers, managers and risk takers in the community. In the native and local context they may be politicians, sports team captains, managers and foremen for big regional industrial economy businesses (oil and gas, timber and construction companies) or students away at colleges, technical institutes or universities. They may already be running a local small business in the community. Wherever they are, they must act on the strategies on behalf of both the community and themselves and select business development options.

Once the option(s) have been selected, it is time to consider the different combinations of equity participation. To begin with, equity participation can be defined as a risk interest or ownership right in a property or business. It is symbolized by share ownership, and in the next economy model this concept is expanded into three classes of ownership:

- **Class A common shares** are limited to individual members of the community (reserve, settlement, etc.). No age limit for ownership is proposed, and purchase is limited only by the size of the original offering to the community stock market. On an annual basis the small company issuing the shares may declare a dividend, and this dividend may be taken in money or in kind (e.g., goods or services of equal value from the business).

- **Class B common shares** are limited to other corporate entities in the community. Once again purchase is limited only by the size of the original offering to the community corporate stock market. Annual dividends, if declared, may also take the form of money or equivalent amounts of product or service.

- **Class C preferred shares** are limited to non-members of the community, such as governments, external corporations and individuals. Once again, annual dividends, if declared, may be in money, product or service equivalents.

**CONCLUSIONS**

This analysis of the bush, industrial and next economies has concluded that there are significant parallels between the basic social and administrative structures of the bush and next economies and that the industrial economy is not a vehicle of choice for development of native and local northern businesses. While analytical concern has often been expressed by authors such as Berger (1977, 1985), Brody (1975, 1981), House (1981, 1986), House and Mercer (1980) and DeLancey and Usher (1986) about the inapplicability of industrial economy economic development models to village society in the bush (or hinterland maritime) economy, hinterland regions of Canada continue to suffer from the boom and bust cycles introduced by the central metropolitan powers in the resource industries. As hinterland regions typically do not control the economic opportunities introduced by the metropolitan powers, they continue to be dependent upon outside sources of capital, labour and expertise for the development of their resource-related industries. The end result is underdevelopment, cyclical swings in local economic fortunes and, very often, high levels of entrepreneurial frustration.

By moving in the direction indicated by Hawken (1983), residents of the Canadian hinterland should be able to develop small, local businesses in the information and service sector and capitalize on emerging opportunities in tourism, community-based wholesaling and retailing, and financial services. To the degree that these next economy businesses are locally owned...
(by a sole entrepreneur, family or localized group of share holders), profits will be recirculated in the immediate region, management decisions will be made by local residents and local expertise will be developed for continuing local application. As next economy businesses grow and prosper, capital will accumulate locally for potential future regional investment. And as this paper has demonstrated, for those people still close to the bush economy, the steps to the next economy should be shorter and easier because the challenges they face will be similar to those their forebears have already met and dealt with successfully.

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