

*The Political Economy of Nunavut:  
Internal Colony or Rentier Territory?*

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In the political science literature, it is common to refer to the northern areas of Canada as "internal colonies".<sup>1</sup> These references are based on a comparison between the domination of aboriginal peoples within Canada and the circumstances of the Third World. Because northern aboriginal groups have been oppressed by a foreign power, it is argued, they constitute "internal colonies" of the Canadian state. The only difference is that the native population remains "inside the boundaries of the state which colonized it", and as a result, the colonizer cannot be expected to "go home".<sup>2</sup>

This designation of "internal colony" has been especially prevalent with respect to Inuit circumstances in the Eastern Arctic.<sup>3</sup> The internal colonization model argues that "the Arctic is home to societies that have been profoundly impacted by varying processes of colonization by – and incorporation into – 'southern' capitalist states",<sup>4</sup> and that this "involves economic, political and cultural dimensions."<sup>5</sup> It is also maintained that Inuit resistance to colonialism has mirrored the "'anti-colonial' discourse" occurring in the Third World during the 1960s and 1970s, resulting in a similar "emerging layer of local elites, within a constrained constitutional framework that poses no serious threat to (and arguably advances the interests of) the capitalist state or the capitalist system".<sup>6</sup>

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<sup>1</sup> See, for example, Mel Watkins (ed), *Dene Nation: A Colony Within* (Toronto: University of Toronto Press, 1977); Kenneth Coates and Judith Powell, *The Modern North: People, Politics and the Rejection of Colonialism* (Toronto: James Lormier, 1989); and Gurston Dacks, *A Choice of Futures: Politics in the Canadian North* (Toronto: Methuen, 1981).

<sup>2</sup> Jack Hicks, "On the Application of Theories of 'Internal Colonialism' to Inuit Societies", Presentation for the Annual Conference of the Canadian Political Science Association, Winnipeg, June 5, 2004, 1; and Joyce Green, "Decolonization and Recolonization in Canada", in Wallace Clement and Leah F. Vosko (eds), *Changing Canada: Political Economy as Transformation* (Montreal: McGill-Queen's University Press, 2003), 53.

<sup>3</sup> Scott McLean, "Objectifying and naturalizing individuality: a study of adult education in the Canadian Arctic", *Canadian Journal of Sociology*, Winter 1997, 22(1), 1-29; J. Dahl and J. Hicks (eds), *Nunavut: Inuit Regain Control of their Lands and Lives* (Copenhagen: International Working Group for Indigenous Affairs, 2000); Hugh Brody, *The People's Land: Eskimos and Whites in the Eastern Arctic* (Hammondsworth: Penguin, 1975); J. Ian Prattis and Jean-Philippe Chartrand, "The cultural division of labour in the Canadian north", *The Canadian Review of Sociology and Anthropology*, 1990, 27(1), 49-73; John D. O'Neil, "The politics of health in the Fourth World: a northern Canadian example", *Human Organization* 45, 119-28; "Canada's newest colony", *Nunatsiaq News*, January 10, 2003; and Jack Hicks and Graham White, "Nunavut: Inuit Self-Determination Through a Land Claim and Public Government?", in Keith Brownsey & Michael Howlett (eds), *The Provincial State in Canada* (Peterborough: Broadview Press, 2001), 389-439.

<sup>4</sup> Hicks, "On the Application...", 20.

<sup>5</sup> Prattis and Chartrand, "The cultural division of labour...", 52.

<sup>6</sup> Jack Hicks, "On the Application...", 16.

Such a comparison with Third World colonies, however, is flawed in that it fails to recognize the unique character of Inuit colonization in Canada. In the case of a number of colonies in Africa, Asia and Latin America, European powers exploited local labour to extract raw materials from these peripheral areas so as to accumulate capital to accelerate industrialization at home (i.e. in “the core”). This differs from the colonization of the Inuit in the Eastern Arctic, where the Inuit mostly became marginalized from production after the fur trade. They were warehoused in what is now an unviable area, not incorporated into Canada's industrializing economy. It was the economic and geographic isolation of the Inuit, in fact, that created the rationale for Nunavut, since it was maintained that large external transfers were needed to “build” an economy in the region. Consequently, the territory of Nunavut is not consistent with the conceptions of “core-periphery” dependency that form the basis of internal colonial theories. There is no net extraction of surplus from Nunavut that is accumulated in southern Canada; on the contrary, it is surpluses produced in southern Canada that are dispersed to the “periphery” of Nunavut.

This unique “non-exploitative” form of colonization<sup>7</sup> has meant that "economic development" in Nunavut is often similar to the "rentier states" of the Middle East, where “capital” is accumulated from royalties or foreign aid, not from increasing the productivity of indigenous labour. As this paper will demonstrate, very little productive Inuit labour in the post-war era has been used to extract resources from the territory. Instead, the economy of Nunavut largely consists of distributing transfers that have been generated externally. This kind of "economic development" has resulted in continued dependency and social dysfunction in the territory, inhibiting the emancipation of the Inuit population.

#### *The Non-Exploitative Character of Inuit Colonization*

When reading accounts of Nunavut, Inuit deprivation is generally explained in terms of the territory being characterized as an “internal colony” of the Canadian state. There have been a number attempts to document this process, which variously stress Inuit feelings of powerlessness and vulnerability, Ottawa’s paternalism, the political and economic subordination of the Inuit, welfare dependence, and “cultural discontinuity”.<sup>8</sup>

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<sup>7</sup>Colonization that involves the expropriation of lands without extracting surplus labour from the direct producers has been referred to as “non-exploitative oppression” by Erik Olin Wright. Erik Olin Wright, *Class Counts* (New York: Cambridge University Press, 1997), 11. I have discussed this form of colonization in the case of aboriginal peoples more generally elsewhere. See, for example, Frances Widdowson, “Separate but Unequal: The Political Economy of Aboriginal Dependency”, paper prepared for the Annual Meeting of the Canadian Political Science Association, Dalhousie University, June 2003; “Inventing Nationhood: The Political Economic of Aboriginal Self-Determination in the Context of Quebec Sovereignty”, paper prepared for the Annual Meeting of the Canadian Political Science Association”, University of Manitoba, June 2004; and “The Killing of Political Economy: How ‘Aboriginal Perspectives’ are Murdering Our Understanding of Canadian Development”, paper prepared for the First Nations, First Thoughts Conference, University of Edinburgh, May 2005.

<sup>8</sup> For a discussion of these different applications of the “internal colonial” model, see Hicks, “On the Application...”, 15-20.

The most extensive articulation, however, has been made by Prattis and Chartrand who, following Hechter,<sup>9</sup> maintain that there are three major features of Inuit colonization:

- 1) Inuit societies' loss of "ownership and/or control of the means of production" through contact with Europeans;
- 2) Inuit incorporation into the Canadian state, resulting in the "loci of political and economic control" being transferred to authorities external to the territory; and
- 3) Inuit integration into "a core-periphery relation", whereby they become "instrumental to the economic growth" of southern Canada. Through this process, a "system of stratification" develops and cultural distinctions between Inuit and "Whites" are "super-imposed upon class lines".<sup>10</sup>

Inuit colonization, therefore, is generally perceived to have occurred through three interrelated processes - the undermining of traditional economic practices, the compromising of Inuit political autonomy with foreign government structures, and the destruction of Inuit cultures<sup>11</sup> - so as to facilitate economic growth in southern Canada. This, it is argued, has required the development of "Eurocentric" ideas about the unviability of hunting and gathering cultures in relation to modern nation-states based on industrialization to justify the expropriation of Inuit lands and the integration of the Inuit into the global capitalist system.<sup>12</sup>

As a result of this conceptualization of Inuit colonization, the creation of Nunavut is seen as being a potential solution to Inuit dependency and deprivation.<sup>13</sup> The new territory and land claim, it is argued, will aid the "decolonization process", by providing the Inuit with ownership of land and access to capital that will stimulate economic activity.<sup>14</sup> It will also give Inuit greater political control over their affairs through the creation of new institutions, so that they can shape the territory according to their cultural requirements.<sup>15</sup> As the Royal Commission on Aboriginal Peoples explains, the formation of Nunavut will be a "major development with important economic effects" since it will "create a new public government, with a fresh mandate and some new functions". These "economic effects" and "new functions" largely consist of the new jobs that will be created in the

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<sup>9</sup>M. Hechter, *Internal Colonialism* (Los Angeles: University of California Press, 1975).

<sup>10</sup> Prattis and Chartrand, "The cultural division of labour...", 53.

<sup>11</sup> McLean, "Objectifying and naturalizing individuality", 1.

<sup>12</sup> Peter J. Usher, "Staple Production and Ideology in Northern Canada" in William H. Melody et al., *Culture, Communication, and Dependency* (New Jersey: Ablex Publishing Corporation, 1981), 181.

<sup>13</sup> For a discussion of the history of the formation of Nunavut see Donald Purich, *The Inuit and Their Land* (Toronto: James Lorimar and Company, 1992); and R. Quinn Duffy, *The Road to Nunavut: The Progress of the Eastern Arctic Inuit since the Second World War* (Kingston: McGill-Queen's University Press, 1988).

<sup>14</sup> James Eetoolook, the President of Nunavut Tunngavik in 2004, for example, maintains that land claims agreements like Nunavut have "the potential...to act as economic instruments to stimulate and boost the economies of the most deprived regions of the country and reduce their dependency". James Eetoolook, "The Lost Promise of Nunavut", *The Globe and Mail*, February 10, 2004, A21.

<sup>15</sup> Andre Legare, "The Government of Nunavut (1999): A Prospective Analysis", in J. Rick Ponting (ed) *First Nations in Canada* (Toronto: McGraw-Hill Ryerson Ltd, 1997), 404; *Final Report of the Royal Commission on Aboriginal Peoples [Final Report]*, 2(2), 724.

territory and the funding of subsistence practices.<sup>16</sup> In this way, the Inuit will have a choice as to whether they want to participate in a traditional or modern economy, thus enabling them “to regain control over their lives to ensure their survival and development as a people”.<sup>17</sup>

What is not recognized, however, is that “building” a Nunavut economy with government transfers and additional administrative structures<sup>18</sup> does not make the territory more productive and “self-reliant”; it just amounts to distributing funds that have been supplied by external economic processes.<sup>19</sup> In order for Nunavut to become viable in the modern context, it would have to produce as much as it consumes. But this is not possible with the amount and distribution of resources in the area, if the intention is to provide Nunavut residents with a similar standard of services that exists in the rest of Canada. It is the most isolated territory in Canada, with a dispersed population, small economies of scale and high transportation and production costs. “Economic development” in Nunavut is very limited in the foreseeable future since all of its 26 communities, even the capital Iqaluit, are largely unconnected to global markets. Most of these communities are inhabited by less than a thousand people and must be serviced by air during the winter, making it impossible for the territory to produce anything competitively.<sup>20</sup> With unproductive land and no economic base, the Inuit will have no economic activity over which they can become “self-determining”.<sup>21</sup>

It is also important to stress that Inuit dependency cannot be addressed by developing the “traditional sector”. This is a common misconception that is perpetuated by references to Nunavut’s “mixed economy”. Stemming from the works of Peter Usher,<sup>22</sup> this research stresses the “continuing importance of Native land-based productive activity for northern

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<sup>16</sup> The Government of Nunavut maintains that “decentralization provides communities with much-needed infrastructure and economic development, as well as employment and training opportunities”. Government of Nunavut, *Budget Address 2003*, March 11, 2003, 7.

<sup>17</sup> Hicks and White, “Nunavut: Inuit Self-Determination...”, 389.

<sup>18</sup> *Final Report*, 2(2), 822-3; 829-30; 4, 491-2.

<sup>19</sup> This is noted by one study prepared for the Royal Commission, which notes that “the main-stay of the formal economy...throughout the Eastern Arctic...is government services and subsidies”. Gwen D. Reimer, “Case study of an Inuit economy”, *For Seven Generations: An Information Legacy of the Royal Commission on Aboriginal Peoples*, CD-ROM (Ottawa: Libraxis, 1997).

<sup>20</sup> Of the 26 communities, 16 have less than 1,000 people, eight have between 1,000 and 2,000 inhabitants. The largest communities are Rankin Inlet (2,230 people) and Iqaluit (4,627 people). These statistics were compiled during 1999 by Nunavut's Bureau of Statistics ([www.gov.nu.ca](http://www.gov.nu.ca)).

See also Legare, “The Government of Nunavut”, 418-9 for a discussion of Nunavut's economic unviability.

<sup>21</sup> The Nunavut government generally recognizes that its dependence on federal transfers is unavoidable. Although its 2001 Budget Address states that the territory's economy is “unique”, containing “significant development opportunities, the Nunavut government then points out that the “government is the primary driving force in the territory's economic growth and is likely to remain so for the foreseeable future”. Government of Nunavut, *Budget Address 2001*, 2.

<sup>22</sup> This work was largely initiated by Peter Usher. See for example, “Staple Production and Ideology in Northern Canada,”; “The Class System, Metropolitan dominance and Northern Development in Canada”, *Antipode* 8:3 (1976); “The North: One Land, Two Ways of Life”, in L.D. McCann (ed) *Heartland and Hinterland: A Geography of Canada*; and Peter Usher et al., “Reclaiming the Land: Aboriginal Title, Treaty Rights and Land Claims in Canada”, *Applied Geography*, April 1992, 12(2), 109-32.

Native survival".<sup>23</sup> As a result of this research, political economists point out that traditional hunting and gathering practices (i.e. hunting and trapping) have "proved viable and relatively stable over several decades" since they are able "to make the best use of all available economic opportunities in areas where wage employment is scarce and unreliable...".<sup>24</sup> Hunting and Trapping is promoted, in fact, because few benefits from industrial development projects have been enjoyed by the Inuit population.<sup>25</sup> It is assumed that hunting and trapping must be important because Nunavut's high costs and isolation mean that few viable economic enterprises, where goods are produced and sold outside the territory, can be sustained. It is pointed out that activities such as mining and oil and gas development employ relatively few people, are subject to fluctuations in prices in global markets, and they close down when resources are depleted.<sup>26</sup> Hunting and trapping, on the other hand, is argued to "[provide] food and other necessities of a much higher quality than could ever be purchased in the north by cash alone", leading to the claim that traditional activity "subsidizes' both the wage economy and the social welfare system".<sup>27</sup>

But such arguments reflect a complete ignorance of modern economic processes. The Inuit of Nunavut, whether they are aware of it or not, are embedded within the global capitalist economy. The rifles, skidoos, houses with central heating and running water, hospitals, government offices, entertainment facilities and all the other goods and services that are consumed in the territory are made possible because of the existence of an outside industrial labour force that is so highly skilled and organized that it is able to produce a large surplus and have some of it distributed to Nunavut. Hunters, on the other hand, do not even produce enough for themselves and their immediate families since the provision of "country food" is heavily subsidized by federal transfers. If all the benefits provided by "hunter support programs" and other cash subsidies were added into the equation, it is likely that the costs of obtaining food "on the land" would be almost as much as the financial benefits gained from the provision of locally acquired food (income derived "in kind") to the population".<sup>28</sup> Therefore, the comments about the "viability" and "stability" of "land-based production" cannot be supported. It is quite the opposite: without large subsidies from the south, Nunavut as we now know it could not exist no matter how much its population hunts and traps.

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<sup>23</sup> Frances Abele and Daiva Stasiulis, "Canada as a 'White Settler Colony': What about Natives and Immigrants?", in Wallace Clement and Glen Williams (eds), *The New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1989), 254.

<sup>24</sup> Frances Abele, "Understanding What Happened Here: The Political Economy of Indigenous Peoples", in Wallace Clement (ed) *Understanding Canada: Building on the New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1997), 128-9.

<sup>25</sup> Hugh Brody, *The People's Land*, 246-252.

<sup>26</sup> *Final Report*, 4, 468.

<sup>27</sup> *Final Report*, 4, 462, 468.

<sup>28</sup> For a discussion of the subsidization required, see Edmund Searles, "Fashioning selves and traditions: Case studies in personhood and experience in Nunavut", *American Review of Canadian Studies*, Spring-Summer 2001, 31(1-2), 21-36 and George Wenzel, "Inuit Subsistence and Hunter Support in Nunavut", in J. Dahl and J. Hicks (eds), *Nunavut: Inuit Regain Control of the their Land and Lives* (Copenhagen: International Working Group for Indigenous Affairs, 2000), 178-88.

Maintaining that Nunavut has the potential to “decolonize” the Inuit, in fact, obscures the specific historical and material circumstances that led to Inuit marginalization – circumstances that are very different from those in many Third World countries. The geographic isolation and sparse resources in Nunavut made it of little interest to the federal government, and compared to its involvement in other areas in Canada, the Hudson's Bay Company was largely absent from Nunavut in the nineteenth century.<sup>29</sup> Although the Inuit did participate in productive activities vis-à-vis the fur trade during the first half of the 20<sup>th</sup> Century, they remained on the margins of wider economic and political processes when this sector collapsed after World War II. Most federal government policies with respect to the Eastern Arctic, in fact, have been an attempt to deal with the insufficient productivity of a region without an agricultural base, which was historically suited to satisfying the needs of nomadic hunters and gatherers. This has resulted in a vacillation between two policy directions – one that attempts to reduce Inuit reliance on the Canadian state by encouraging them to retain their “natural” hunting and gathering lifestyle, and a second that advocates increased government intervention to ensure the eventual assimilation of the Inuit.<sup>30</sup>

With the disastrous relocations that occurred to maintain the Inuit as hunters and gatherers, the federal government gradually began to see the Inuit “traditional lifestyle” as doomed, and looked to training and education to facilitate integration into modern society as the solution. Instead of attempting to disperse the Inuit so that they could subsist off the land, settlements were erected to provide modern programs and services. Some communities also formed around the Distant Early Warning (DEW) line sites established in the Arctic by the American government. Although there were high hopes to develop the region in 1950s during Diefenbaker’s “road to resources”, thereby solving the “Inuit problem”, these estimates proved overly optimistic, and it has never been profitable to extensively develop mining or oil and gas in the region. Because of high production costs, these sectors remain largely undeveloped, explaining why so few royalties can be distributed to the Inuit.<sup>31</sup> In fact, Peter Rose,<sup>32</sup> the finance director for Nunavut's land claims organization, Nunavut Tunngavik Incorporated, recently argued

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<sup>29</sup>Subsequently, whaling became the first commercial activity there. While the whalers traded with the Inuit, there was no sustained contact comparable to the trading posts which existed in the rest of Canada. See Keith Crowe, *A History of the Original Peoples of Northern Canada* (Edmonton: Arctic Institute of North America, 1974), 104-9 for a discussion of the interaction between Inuit and whalers.

<sup>30</sup>The Royal Commission’s Report on notes, for example, that in the early 20<sup>th</sup> Century, the policy recommendation was to “keep the native, native” through hunting “as a way of preserving the physical and mental well-being of the Inuit as well as reducing relief costs”. It also points out that “the concern for minimizing relief and encouraging self-reliance through hunting also emerges in the 1953 relocation”. Royal Commission on Aboriginal Peoples, *The High Arctic Relocation: A Report of the 1953-55 Relocation, in For Seven Generations*. By the mid-1950s, however, “the government had begun to define a long-term program of socio-economic development. The traditional hunting economy was seen as doomed. The only solution was to develop the North industrially (primarily through mining and petroleum exploration) and help the Aboriginal people of the region acquire the skills to participate in the wage economy”. Final Report, 1, Chapter Eight, in *For Seven Generations*.

<sup>31</sup> In the 1990s there was only two mines in Nunavut – Nanisivik and Polaris – but both closed in 2002.

<sup>32</sup> Patricia D'Souza, "NTI can't afford cash payouts for beneficiaries - \$7.5 million to give each Inuk \$500", *Nunatsiaq News*, March 7, 2002.

that since royalties from mining have only been about \$1 million a year, it was not feasible even for beneficiaries to receive a \$500 cash payment.

In addition to the high costs of extracting resources in Nunavut, the continuing dependency of Inuit in the region also has been the result of the difficulties of incorporating hunting and gathering cultures into more complex and productive economic and political processes. Inuit cultures were forced to develop from the Stone Age to the Space Age in a very short period of time, making it difficult for them to participate in intensive resource extraction. Because they only had been recently exposed to the alienating imperatives of capitalist industry, most Inuit people had not developed the skills, values and attitudes required for participation in modern production.<sup>33</sup> This made it very difficult for Inuit cultures to enter into the industrial labour force in what is now Nunavut.<sup>34</sup>

The unproductive character of the area that is now Nunavut, in fact, was behind the first attempt at dividing the Northwest Territories in the 1960s. At this time, division was not a concern of the Inuit, who were just beginning to settle in communities created by the federal government. Being illiterate and kinship oriented, they had no interest in constitutional development.<sup>35</sup> The pressure, in fact, was coming from non-aboriginal northerners seeking provincehood for the Western Arctic, who thought that this would be a more attainable goal if the more backward eastern portion of the territory was removed.<sup>36</sup> The separate territory of Nunavut, therefore, was initially proposed, not as a mechanism to aid Inuit self-determination and “decolonization”, but to prevent an economically and politically undeveloped area from impeding the aspirations of opportunistic non-aboriginal businessmen living in the north.

The economic difficulties in Nunavut continue to provide the rationale for current policies. Faced with the politically explosive reality that the territory cannot support the growing Inuit population, there is an inducement to accept the idea that hunting and gathering is viable in the modern context. It has become politically expedient to warehouse the Inuit under the guise that that a territory without an economic base can be “built” with large infusions of external transfers and subsidies. The result is not the form of colonialism that unfolded in many areas of the Third World, but a system of distribution or “allocation”,<sup>37</sup> since Nunavut consumes far more than it produces and

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<sup>33</sup> I have discussed this problem in the context of aboriginal peoples more generally elsewhere. See, for example, Frances Widdowson, “Separate but Unequal”, 7-10. A number of these problems are also identified by other commentators, including Hugh Brody, *The Other Side of Eden* (New York: North Point Press, 2001), 133; “Time is a culture thing”, *Northern News Services*, September 4, 2000; and C.C. Brant, “Native Ethics and rules of behaviour”, *Canadian Journal of Psychiatry*, August 1990, 35, 534-47.

<sup>34</sup> These problems were extensively documented in Diamond Jenness, *Eskimo Administration II: Canada* (Montreal: Arctic Institute of North America, 1964).

<sup>35</sup> A Commission studying the initiative during the 1960s stated that the Inuit “had no appreciation of what [division] was about”, and it was non-aboriginal businessmen and politicians in the Western Arctic who were pushing for a new territory. Hamilton, *Arctic Revolution*, 90-1.

<sup>36</sup> Dickerson, *Whose North?*, 85; Morris Zaslow, *The Northward Expansion of Canada, 1914-1967* (Toronto: McLelland and Stewart, 1988), 358-60.

<sup>37</sup> Giacomo Luciani, in fact, calls states associated with this type of economy an “allocation” or “exoteric” (as opposed to “production”) state because these economies are “predominantly based on revenue accruing

exists as a parasitical appendage on the wider Canadian society. These characteristics make the political economy of Nunavut very similar to what has been called a “rentier state” or “circulation economy”.

### *Nunavut: A Rentier Territory?*

In the political economy literature, “rentier theory” has not been applied to aboriginal peoples in general, or Nunavut in particular. The theory, in fact, has largely been developed to explain the particular circumstances of Middle Eastern countries, which rely on oil sector profits or foreign aid as the main engine of their economies.<sup>38</sup> The political economies of these regions, it is argued, are anomalous because they do not follow the same patterns of development that occur in most Third World countries.<sup>39</sup> They are not “dependent” or “undeveloped” in the usual sense, since they are “cash-rich” and do not suffer from the usual constraints on economic development as occurs in the Third World.<sup>40</sup> This enables capital accumulation to take place in these areas, even though they would be considered “the periphery” in theories linking colonization and dependency.

Originally developed by Hossein Mahdavy with respect to Iran,<sup>41</sup> the concept of the “rentier state” has emerged to explain the unique character of development in states that largely depend on external sources of revenue. Such a concept concerns “a windfall wealth of unprecedented magnitude in...a short time”, which “conditions...political behaviour and development policies...” in a political system.<sup>42</sup> “Rentier states”, therefore, are not confined to the Middle East and have existed in a number of places and at different times in history. The state of the Roman Church, the Spanish Empire when it was flooded with gold from the Americas in the seventeenth and eighteenth centuries, Monaco, Peru during the guano boom, and all countries extensively dependent upon foreign aid (including Israel) all constitute pertinent examples of rentier type systems.<sup>43</sup>

What enables these diverse cases to be classified in the same category that they all have been impacted by the corrosive effects of “rent” as a dominant feature in their

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directly from abroad”. The circumstances that he describes are very similar to the dynamics of distribution that occur in aboriginal communities that lack an economic base. For a further discussion see Giacomo Luciani, “Allocation vs. Production States: A Theoretical Framework”, in Hazem Beblawi and Giacomo Luciani (eds), *The Rentier State* (London: Croom Helm, 1987), 63-82.

<sup>38</sup> See, for example, Douglas A. Yates, *The Rentier State in Africa* (Trenton: African World Press, 1996); Theda Skocpol, “Rentier state and Shi’a Islam in the Iranian Revolution”, in Theda Skocpol (ed), *Social Revolutions in the Modern World* (Cambridge: Cambridge University Press, 1994), 240-258; Hazem Beblawi and Giacomo Luciani (eds), *The Rentier State* (London: Croom Helm, 1987); Jacqueline S. Ismael, *Kuwait: Dependency and Class in a Rentier State* (Gainesville: University Press of Florida, 1993); Alan Gelb and Associates, “Oil Windfalls: Blessing or Curse?”, *World Bank Research Publication* (Oxford: Oxford University Press, 1988).

<sup>39</sup> Beblawi, “The Rentier State in the Arab World”, *The Rentier State*, 50.

<sup>40</sup> Gelb, *Oil Windfalls: Blessing or Curse?*, 7.

<sup>41</sup> Hossein Mahdavy, “The Pattern and Problems of Economic Development in Rentier States: The Case of Iran”, in M.A. Cook (ed), *Studies in the Economic History of the Middle East* (Oxford: Oxford University Press, 1970).

<sup>42</sup> Beblawi, “The Rentier State”, 50; Beblawi and Luciani, “Introduction”, *The Rentier State*, 11.

<sup>43</sup> Beblawi and Luciani, “Introduction”, 20.

economies.<sup>44</sup> In political economy, rent is perceived as being both an economic and political relation. Economically, it is the surplus “left over after all the costs of production [have] been met” that is “paid to the owner of the land for use of its natural resources”. It is “a gift of nature, which reflect[s] both the scarce quantity and differential quality of the land”.<sup>45</sup> But since it is “generally a reward for ownership”, it is also “a social relation, reflective and derivative of historically specific property relations in the dominant mode of production”.<sup>46</sup> In capitalism, the rentier’s social position is different from the role played by capitalists and labourers because “the rentier is a social agent who does not actively participate in the production process yet still shares in the fruits of the product”. It involves no sacrifice (risk, in the case of capitalists) or effort (the labour from workers) and therefore a rentier is characterized as “a parasite feeding on the productive activities of others”. Differentiated by “the lack or absence of a productive outlook in his behaviour”, rentiers have been negatively perceived by both liberal and radical political economists “as unproductive, almost anti-social, sharing effortlessly in the produce without, so to speak, contributing to it”.<sup>47</sup>

When these imperatives dominate in a country, it is designated as a “rentier state”. Hazem Beblawi, one of the more prominent analysts of this special type of political economy, maintains that four characteristics must be present in order to classify a country as such. These include:

- 1) the predominance of rent situations;
- 2) the external origins of rent;
- 3) only a few citizens being engaged in the generation of rent, while most are involved in its distribution and consumption; and
- 4) the government being the principal recipient of the rent extracted.<sup>48</sup>

The fourth characteristic – the government being the principal recipient of external rent – also ends up structuring the entire political and economic system since it acts as “the prime mover of economic activity”. As Beblawi explains,

rent that is held in the hands of the government has to be redistributed among the population. Special social and economic interests are organized in such a manner as to capture a good slice of government rent. Citizenship becomes a source of economic benefit. Different layers of beneficiaries of government rent are thus created, giving rise, in their turn, to new layers of beneficiaries. The whole economy is arranged as a hierarchy of layers of rentiers with the state or the government at the top of the pyramid, acting as the ultimate support of all other rentiers in the economy.<sup>49</sup>

<sup>44</sup> Beblawi, “The Rentier State...”, 49-50.

<sup>45</sup> Yates, *The Rentier State in Africa*, 16-17

<sup>46</sup> Beblawi, “The Rentier State...”, 49; Yates, *The Rentier State in Africa*, 19.

<sup>47</sup> Yates, *The Rentier State in Africa*, 17; Beblawi, “The Rentier State...”, 50.

<sup>48</sup> Hazem Beblawi, “The Rentier State...”, 51-2. See also, Douglas A. Yates, *The Rentier State in Africa*, 15, for a summary of Beblawi’s argument.

<sup>49</sup> Beblawi, “The Rentier State...”, 53.

The result, according to rentier theory, is economic stagnation and an entrenchment of inequality and political authoritarianism.<sup>50</sup> Economic stagnation is due to the sectoral imbalances that occur in such a system, as well as the development of a “rentier class” with a “rentier mentality”. Because the concern is with “getting access to the rent circuit” rather than increasing productivity,<sup>51</sup> other sectors – notably industry and agriculture – decline.<sup>52</sup> Such sectoral imbalances are exacerbated by the abundance of foreign exchange in the economy, which results in an increase in imported goods that, being less costly due to economies of scale, tend to replace commodities produced domestically. In addition, large infusions of external rent enables the government to “embark on big capital-intensive development projects” that offer short term employment benefits and prestige for the state.<sup>53</sup>

A rentier state’s preoccupation with unprofitable megaprojects is related to its role as “principal rentier in the economy”. This role leads to the development of a “rentier class”, which uses its position within the state to control the distribution of rent. The interests of this class results in “industrialization policies [that] are less committed to selecting objectives (giving them priorities, implementing those goals), than to selecting appropriate *means* (of spending money, distributing income, providing power, hegemony or rent control)” and unsustainable expenditures (emphasis in the original).<sup>54</sup> As Beblawi and Luciani point out, “policies have been adopted principally because money was available. This is especially the case for those policies which are primarily aimed at the redistribution of oil rent...A good deal of ‘development’ expenditure was approved without too much concern for the need of what was being bought (especially in infrastructure) simply because money ought to be spent”.<sup>55</sup>

The political imperative to spend money as it comes available is also due to the state’s tendency to buy off opposition by increasing the allocation of externally produced rent. This has a number of consequences. The first is bureaucratic expansion, especially with respect to allocation functions.<sup>56</sup> The second is weak taxation systems because “external rent liberates the state from the need to extract income from the domestic economy”.<sup>57</sup> Thirdly, there is a tendency to subsidize consumption, especially “goods which are considered to be ‘basic necessities’”. Attempts to cut such subsidies often result in riots that are perceived as a threat to the state, even though “there is broad professional agreement on the fact that subsidies are not applied to basic necessities only, and benefit the middle class as much as, if not more than, the lower classes”.<sup>58</sup>

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<sup>50</sup> Yates, *The Rentier State in Africa*, 6.

<sup>51</sup> Michael Chatelus, “Policies for Development: Attitudes Towards Industry and Services”, *The Rentier State*, 111.

<sup>52</sup> Gelb, *Oil Windfalls*, 8. For an in depth discussion of the decline of agriculture, see Hamid Ait Amara, “The State, Social Classes and Agricultural Policies in the Arab World”, *The Rentier State*, 139-158.

<sup>53</sup> Yates, *The Rentier State in Africa*, 24-5.

<sup>54</sup> Chatelus, “Policies for Development”, 112; Beblawi and Luciani, “Introduction”, 16.

<sup>55</sup> Beblawi and Luciani, “Introduction”, 6-7.

<sup>56</sup> Yates, *The Rentier State in Africa*, 28, 206.

<sup>57</sup> Yates, *The Rentier State in Africa*, 14-15.

<sup>58</sup> Beblawi and Luciani, “Introduction, 17-18. Beblawi and Luciani note that generally the rentier state guarantees much higher prices than would result from the operation of market forces.

The infusion of relatively large externally generated surpluses also creates what has been called a “rentier mentality”, which shapes the attitudes of citizens towards work and economic activity. Rentier theory argues that this mentality tends to develop first within the rentier class, which then trickles down and permeates the whole society. Such a mentality exists in rentier states because of a “break in the work-reward causation”, where “reward becomes a windfall gain, an *isolated* fact, situational or accidental as against the conventional outlook where reward is integrated in a *process* as the end result of a long, systematic and organized production circuit” (emphasis in the original).<sup>59</sup> It is maintained that “the rentier mentality isolates position and reward from their causal relationship with talent and work”, resulting in low productivity, high rates of absenteeism and few citizens willing to perform arduous tasks.<sup>60</sup> The most sought after employment, in fact, is within government administration, where the nature of bureaucratic output is intangible and almost impossible to measure – an environment where the rentier mentality thrives.<sup>61</sup> Manual labour and work that the rentier class considers demeaning, on the other hand, is left to foreign workers, which creates a sharp division between “nationals” and “expatriates”.<sup>62</sup>

In addition to impacting citizens’ attitudes towards work, the rentier mentality shapes a number of other economic activities. Contracts, for example, “are given as an expression of gratitude rather than as a reflection of economic rationale”, and “trade and business professions in many cases consist in no more than taking advantage of special situations entrusted to them by law or fact”.<sup>63</sup> There are numerous laws that ensure that indigenous merchants receive favourable treatment, and “local merchant partners” must be acquired by foreign companies that want to operate within the rentier state.<sup>64</sup> In addition, there has been the emergence of a designation called a “sponsor” who offers his name to expatriates to exercise various trades and professions under his name, in return for a share of proceeds”. As a result, citizenship is “becoming a sort of financial asset and hence a source of income”, and “in extreme cases income is derived simply from citizenship”.<sup>65</sup>

In addition to creating inequalities and political divisions between those who can access the rent circuit and those who are excluded from it, rentier states also entrench authoritarian political structures. This is because “the structure of public finance in an oil-rentier state tends to concentrate economic wealth – and in the process, political power – in the hands of the few”. Such a circumstance is related to the external character of revenues, making the state independent financially from the citizenry. It is unnecessary for the government to legitimate its activities, because

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<sup>59</sup> Beblawi, “The Rentier State...”, 52.

<sup>60</sup> Yates, *The Rentier State in Africa*, 34, 212.

<sup>61</sup> Yates, *The Rentier State in Africa*, 22, 34; Beblawi, “The Rentier State...”, 55.

<sup>62</sup> Yates, *The Rentier State in Africa*, 22; Beblawi, “The Rentier State...”, 59.

<sup>63</sup> Yates, *The Rentier State in Africa*, 22.

<sup>64</sup> Beblawi, “The Rentier State...”, 56-7.

<sup>65</sup> Beblawi, “The Rentier State...”, 56; Yates, *The Rentier State in Africa*, 22.

in a rentier state, it is through the vehicle of public expenditure that the economy functions. Domestic society feeds on the allocation of public loans, government subsidies, construction projects, and state-planned industrial complexes. Like Dracula sucking his host, the rentier state reproduces or duplicates its own rentier mode-of-survival within the local economy. Individuals within the society become vampires dependent on state expenditure, and contributing little to it, have little say in the way it is dispersed.<sup>66</sup>

The external character of government revenue also explains why there is a “reluctance...to collect taxes even when [a rentier state] possesses the political power to do so”. Because the state’s role is to allocate or distribute transfers, taxing citizens or reducing subsidies threatens the existence of a “power structure premised on the inflow of external rents”.<sup>67</sup> This is why violent citizen reaction to cuts in subsidies is so worrying to the state. As Luciani and Beblawi point out, it “is a manifestation of the weak political base of the state itself, and the lack of democratic legitimation”.<sup>68</sup>

There is also little movement towards democratization in rentier states because the class structure within these areas inhibits it. Although many rentier states have developed representative bodies as forums for the airing of grievances, these institutions are not effective in linking the citizenry to the government because the absence of a taxpaying middle class means that there is little effective pressure for increased participation. And although there is a “blatant maldistribution of income and wealth” in these countries, class politics are undeveloped because “the economic conditions and sectoral imbalances of the rentier state discourage class formation in the usual sense of the term”.<sup>69</sup> The highly mechanized character of oil extraction means that the few that are employed can be bought off, discouraging the development of unions in the only productive sector. The other areas of the economy do not involve the exploitation of labour since “reward is not causally linked to work”, making the political tool of the strike ineffective in exerting pressure on the state.<sup>70</sup>

Besides, the whole character of politics in rentier states is not oriented towards progressive change. Political activity is overwhelmingly focused on increasing the acquisition of external rent, rather than domestic production and extraction of wealth. Consequently, “opposition necessarily focuses its attention on *how* those benefits are distributed”, rather than transforming the economic and political system. The prominence of the distribution/allocation function “shapes the entire political debate of dissent in the rentier state”, resulting in circumstances where citizens “[manoeuvre] for personal advantage within the existing setup” rather than “seeking an alliance with others in similar conditions”. The tendency is for obtaining more favourable access to the rent

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<sup>66</sup> Yates, *The Rentier State in Africa*, 33-37.

<sup>67</sup> Yates, *The Rentier State in Africa*, 34, 36-37.

<sup>68</sup> Beblawi and Luciani, “Introduction”, 17.

<sup>69</sup> Yates, *The Rentier State in Africa*, 35.

<sup>70</sup> Giacomo Luciani, “Allocation vs. Production States: A Theoretical Framework”, *The Rentier State*, 75-76.

circuit, rather than mobilizing for a more equitable distribution of income within the system.<sup>71</sup>

This opportunistic and fragmented character of politics in rentier states is magnified by the tribal origins of these countries. As Luciani and Beblawi explain, a “long tribal tradition of buying loyalty and allegiance is now confirmed by an *état providence*, distributing favours and benefits to its population... The conventional role of the state as provider of public goods through coercion – mainly taxation – is now blurred in the Arab oil states by its role as provider of private favours through the ruler’s benevolence”. It is noted that it is acceptable for members of the rentier class who head government departments to appropriate a share of the budget for themselves. This is because “all government contracts are seen as royal favours” to a certain extent, and as a result, “there seems to be no clear conflict of interests between holding public office and running private business at the same time”. Consequently, it is not uncommon for “high-ranking public officers (ministers) [to] take the trouble to form their private businesses under the names of their sons, brothers or similar *prête-noms*. In fact, huge development projects, joint ventures, agents, tenders and awards of hundred million – sometimes billion – dollar contracts have provided opportunities for those in public office to use their positions for private gain”.<sup>72</sup> It also has been observed that these same tribal values pervade the workplace, where the “obligation to family and clan” determine employment in economic enterprises “regardless of official merit or performance”.<sup>73</sup>

Because of these corrosive effects of rent on economic and political development, most political economists examining rentier states are extremely skeptical of the ability of increased external funds to solve the problems facing these areas. In fact, a number have put forward the “null hypothesis” – the proposition that “if massive amounts of external rent create... distortions, then the effect of lower prices, or complete cessation of external rents, should remove such distortions”. As a result, it is suggested “that the solution to the economic problems of a rentier state is *not more* government expenditure, but *less*” and that “*meaningful diversification will not come from above, but from below*” (emphasis in the original).<sup>74</sup> This led the first theorist of the rentier state, Hossein Mahdavy, to conclude that “so long as ‘prosperity’ of the rentier states derives from external rent, technological and organizational improvements will remain *undeveloped* and real economic development illusory” (emphasis in the original).<sup>75</sup>

After reviewing these aspects of the theory of the rentier state, it appears, at first glance, that Nunavut does not easily fit into this categorization. Nunavut, after all, is not a sovereign entity, but a territory that is embedded within the Canadian state, from which it only receives delegated authority. The territory also lacks an agricultural and industrial sector, making many aspects of rentier theory inapplicable. Political economists studying

<sup>71</sup> Yates, *The Rentier State in Africa*, 35.

<sup>72</sup> Beblawi, “The Rentier State...”, 53, 55; Luciani, “Allocation vs. Production States”, 77-78.

<sup>73</sup> Yates, *The Rentier State in Africa*, 211.

<sup>74</sup> Yates, *The Rentier State in Africa*, 30-31.

<sup>75</sup> Mahdavy’s conclusion if paraphrased by Yates, *The Rentier State in Africa*, 31.

rentier states, in fact, would likely characterize Nunavut as being a beneficiary of a “domestic payment transfer” within the productive economy of Canada.<sup>76</sup>

At the same time, however, it is difficult not to notice that the political economy of Nunavut manifests all of the features identified by Beblawi in his discussion of rentier states – i.e. external rent being prominent in Nunavut’s economy, few Nunavut residents being involved in the production of rent, and the Nunavut government being the primary recipient of rent. In fact, because of Nunavut’s lack of an agricultural and industrial sector, the territory is a more “pure rentier economy” than Middle Eastern states. Nunavut, after all, receives over 90 percent of its budget from funds from the federal government, while Luciani characterizes a rentier state as being one that receives merely 40 percent of its gross domestic product from external sources.<sup>77</sup> Therefore, Nunavut can be seen as an extreme example of what Beblawi calls a “semi-rentier non-oil” type of political economy, where foreign aid constitutes a large percentage of gross domestic product.<sup>78</sup> These circumstances make Nunavut a “rentier territory”, with the same consequences of economic stagnation, increasing inequality and political authoritarianism.

#### *The Economic and Political Implications of Rentierism in Nunavut*

Even though the Nunavut budget begins with optimistic pronouncements that the territory aspires to “...Healthy Communities, Simplicity and Unity, Self-Reliance and Continuing Learning...” and that by 2020 it expects Nunavut residents to “own and manage a strong mixed economy where residents have productive choices for economic participation”, there are no signs that this is happening.<sup>79</sup> In fact, because of its attempts to create an economy “in large part through increased public investment”,<sup>80</sup> the amount of funding earmarked for Nunavut has grown from \$615 million in 2001, to \$682 million in 2002 and \$725 million in 2003. These funds account for 92% of the territorial budget; the only revenues raised within the territory come from taxes, staff housing rents, and utility payments.<sup>81</sup> Despite the fact that the current levels of funding amount to more than \$20,000 for every man, woman and child in the territory, the territorial government argues that “if we are to provide Nunavummiut [Nunavut residents] with a level of services enjoyed by other Canadians, we must have increased funding from the federal government”.<sup>82</sup>

Nunavut’s almost exclusive reliance on external transfers means that the territorial government, as is the case with “rentier states” more generally, is largely concerned with

<sup>76</sup> Beblawi, “The Rentier State...”, 51.

<sup>77</sup> Luciani, “Allocation vs. Production States”, 70.

<sup>78</sup> See Beblawi, “The Rentier State...”, 59-62 for his discussion of “semi-rentier” states relying on aid.

<sup>79</sup> These quotations appear in all Nunavut budget addresses, under the heading of “Excerpts from the Bathurst Mandate”.

<sup>80</sup> Government of Nunavut, *Budget Address 2003*, March 11, 2003, 2-3.

<sup>81</sup> Government of Nunavut, *Main Estimates 2001-2002*, February 2001, xii; Government of Nunavut, *Budget Address 2002-2003*, April 30, 2002, Appendix A, 3; and Government of Nunavut, *Main Estimates 2003-2004*, March 2003, ix.

<sup>82</sup> Government of Nunavut, *Budget Address 2003*, March 11, 2003, 2-3.

“allocation” or “circulation” functions, not production. The Nunavut government, therefore, attempts to continuously increase its expenditures so as to “buy off opposition” with unprofitable megaprojects,<sup>83</sup> weak taxation policies,<sup>84</sup> and an array of subsidies for seniors, housing, “training”,<sup>85</sup> and hunting and trapping. Similar to regimes in the Middle East, this has led to the development of a rentier class that positions itself so “as to capture a good slice of government rent”.

The most significant attempt to capture rent has been through the tremendous bureaucratic expansion that has happened with division. Although the creation of Nunavut was promoted on the grounds that it would be more “culturally sensitive” and help Inuit to assert greater control over their affairs, by far the largest concern was with the number of new jobs to be created. A local media story, for example, noted that “with the formation of Nunavut comes the need for bureaucratic infrastructure that heretofore didn't exist”, and as a result, there are constant efforts to create more governmental structures so that the number of jobs can be increased.<sup>86</sup> It should be stressed that this preoccupation with “job creation” is largely unconnected to the laudable goal of providing higher quality services to the Inuit population; government expansion is perceived almost entirely in terms of the extent to which it will be a mechanism to distribute funds to “Inuit beneficiaries” of the Nunavut land claim.

Article 23 of the Nunavut land claim, in fact, contains a “best efforts clause” to ensure that the Government of Nunavut attempts to make its staff representative of the population.<sup>87</sup> In other words, because 85 percent of Nunavut’s population is Inuit, they should fill 85 percent of government positions. The President of Nunavut Tunngavik Incorporated, James Eetoolook, for example, points to the failure to “to carry out the agreement's provisions intended to increase Inuit self-reliance by ensuring that 85 per cent of all government jobs go to Inuit” since “Inuit currently hold just 41 per cent of those promised positions, down from 45 per cent five years ago”.<sup>88</sup> The same is argued for management positions; one criterion for judging whether or not the federal

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<sup>83</sup> One example of this is the constant lobbying to build roads in Nunavut, even though there is no economic activity in the territory. See, for example, Katherine Harding, “Northwest hamstrung by sub-par transport, premiers say”, *The Globe and Mail*, May 14, 2005.

<sup>84</sup> In 1998, taxes for the Northwest Territories (which included Nunavut) were the lowest in Canada as 23% of GDPP. “Canadian Tax Highlights”, Canadian Tax Foundation, [www.ctf.ca](http://www.ctf.ca). The next lowest tax collection was Alberta at 30.5%.

<sup>85</sup> One of the most generous subsidies for training was provided to Akitsiraq law school students studying at the University of Victoria, where each student was given a salary of approximately \$50,000 to study at the school in an attempt to increase the number of Inuit lawyers and make the justice system more “culturally sensitive”. For a discussion of this school, see “At Nunavut U it’s come as you are: North’s unconventional law school will accept even high-school dropouts”, *The Globe and Mail*, March 2, 2001, A1.

<sup>86</sup> Dave Martin, “Territorial division creates job opportunities”, *News North*, February 23, 1998, A22.

<sup>87</sup> See “Article 23: Inuit Employment Within Government”, *Agreement Between the Inuit and the Nunavut Settlement Area and Her Majesty the Queen in right of Canada* (Indian and Northern Affairs Canada and Tungavik Federation of Nunavut, 1993), 191-196.

<sup>88</sup> Eetoolook, “The lost promise of Nunavut”, A21.

government has met its obligations is determining the extent to which all levels of government employment are staffed by a representative number of Inuit.<sup>89</sup>

But such a criterion fails to recognize that most of the jobs created were expected to require between two to four years of post-secondary education,<sup>90</sup> and so it was originally assumed that it would take decades, if not a number of generations, to bring about a “representative” bureaucracy. It was argued before Nunavut was formed, in fact, that Article 23 “creates an enormous challenge to develop appropriate training and development mechanisms” since the educational levels in the territory are the lowest in Canada<sup>91</sup> and “about half the Inuit in Nunavut are under the age of 20 and 50 per cent of adults do not have a high school diploma or skills relevant to public sector employment”.<sup>92</sup> Despite these problems, however, the Nunavut Government is now comprised of 41 to 50 percent Inuit employees.<sup>93</sup> Pressure to implement the “best efforts clause” has essentially lowered standards under the guise of “cultural sensitivity” to increase the numbers of Inuit employees hired by the Nunavut government.<sup>94</sup>

And nowhere is the attempt to artificially inflate the number of Inuit employees more clear than in the Nunavut government's incredibly wasteful and unworkable policy of decentralization. Although promoted as being necessary so as to “bring government closer to the people”, the actual reason for this initiative was to ensure that every one of the 26 isolated communities in Nunavut would get their share of government positions and contracts.<sup>95</sup> This exemplifies how the government is seen as a distributor of funding, rather than a provider of essential social services. Such a perception was clearly stated in one of the initial proposals for establishing the Government of Nunavut, *Footprints in New Snow*. The Report states that “decentralization of government can bring public sector jobs to depressed communities”.<sup>96</sup> The proposal was then adopted by the Government of Nunavut, which proudly points out that “the creation of our new territorial government has generated unprecedented economic activity and created a large number of jobs in many communities” and it “remains fully committed to decentralizing

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<sup>89</sup> Cathy Towtongie, “It looked great on paper”, *The Globe and Mail*, November 11, 2003, A23.

<sup>90</sup> *Final Report*, 4, 492.

<sup>91</sup> Purich, *The Inuit and Their Land*, 49.

<sup>92</sup> *Final Report*, 2(2), 823. The training of Inuit for Nunavut is discussed in a number of research studies. See, for example, ATII Training Inc., “Northern Education and Training systems for Inuit”, *For Seven Generations*; Leslie A. Brown, “Community and the Administration of Aboriginal Governments”, *For Seven Generations*; and Gwen D. Reimer, “Case Study of an Inuit Economy”, *For Seven Generations*.

<sup>93</sup> This number varies depending on the source that is used.

<sup>94</sup> The opportunities provided to Inuit through the lowering of standards often can be seen when reading accounts of Nunavut's formation. An article in *Maclean's* entitled “The New North: A younger generation remakes the map of the Canadian Arctic”, for example, brings up the case of Nicole Camphaug, “a Grade 12 graduate, educated in Alberta, who is now a policy manager in the current territorial government”. It is explained how Camphaug saw the development of Nunavut as a “remarkable opportunity”, because with her qualifications, she would not have been able to obtain such a senior government job anywhere else in Canada. According to Camphaug, “If I'd stayed in the South, I'd still be working at the gas station or maybe selling clothes... Now I'll have a career. I'll have options in the future that I never would have had”. Jennifer Hunter, “The New North”, *Maclean's*, August 3, 1998, 14-19.

<sup>95</sup> See, for example, “Looking for a piece of the action”, *News/North*, May 11, 1998, A10.

<sup>96</sup> Nunavut Implementation Commission, *Footprints in New Snow*, 63.

our operations to bring jobs to all parts of the territory".<sup>97</sup> These "jobs" are created not only in the bureaucracy, but also in various forms of "spin-off employment". As an article in *The Globe and Mail* explains, "in order for a government department to move to a relatively small community, an office building and houses need to be built. With new families, services such as grocery stores and restaurants may expand or open. It all adds up, the government hopes, to more jobs and opportunities". The government's "hopes" are supported by Eugene Lysy, the executive vice-president of Nunavut Construction Corporation (a firm owned by four Inuit organizations), who claims that "when you start to look at the total picture, you can see that there is a potential here".<sup>98</sup> But the "potential" is to obtain increased funding (i.e. external rent) from the federal government.<sup>99</sup>

Although there are a number of areas in Canada that also rely on transfer payments for their survival, the Nunavut project is unique in that it alone sees the creation of more and more government structures as the answer to its problems. Provinces in the Maritimes, for example, came into existence when they had viable economies, and a government was needed to manage them. No one is suggesting that Newfoundland should be split in two to solve its economic problems. In fact, the opposite is being proposed, and many commentators maintain that the eastern provinces should form a union with each other and even connect themselves to the United States to become more viable economically.<sup>100</sup> The same approach could also be developed in the north, by encouraging people living in the smallest, most economically marginal communities to move to larger regional centres. In this way, higher quality services could be provided and the isolation of Inuit people from the Canadian mainstream diminished. The decentralization initiative promoted so enthusiastically by the Nunavut government, however, is actually intent on bringing about the opposite effect. As Kelvin Ng, the Finance Minister of Nunavut, points out: "some would say close down the small communities and achieve economies of scale. Then what's the point of having Nunavut?".<sup>101</sup>

Nunavut's unviability becomes even more disturbing when one considers that, unlike the eastern provinces, the population is increasing at twice the national average. This means that in the absence of any real economic development, more pressure will be placed on social services that are already showing signs of being overstressed.<sup>102</sup> And despite the

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<sup>97</sup> Government of Nunavut, *Budget Address 2001*, 2-3.

<sup>98</sup> Jill Mahoney, "Nunavut creating two classes of Inuit", *The Globe and Mail*, April 5, 1999, A4.

<sup>99</sup> Decentralization's promise of "bring[ing] jobs to all parts of the territory" was also the rationale that caused the endless haggling over where the territory's capital would be located, which eventually had to be decided by plebiscite. The capital was a sought after designation because it is the location for the legislative assembly and other key government institutions, greatly increasing access to the rent circuit for the chosen community.

<sup>100</sup> See, for example, Ronald MacDonald, "Maritime Union: We Rise Again", *Canadian Parliamentary Review* 1995, 18(4).

<sup>101</sup> Devise better plan for Nunavut before increasing grants: Alliance", *Canadian Press Newswire*, February 28, 2001.

<sup>102</sup> Housing, for instance, is in short supply and overcrowding continues to increase despite large amounts of money being allocated to building new homes (\$58 million was allocated to Nunavut's Housing

fact that population growth in the area should be cause for concern, it appears that many people in Nunavut think that it should be celebrated. This was apparent in an editorial of Nunavut's newspaper, *Nunatsiaq News*, which supported the argument of a number of Inuit politicians that population growth in Nunavut was essential for economic development and "nation-building".<sup>103</sup> These arguments were sustained by comparing the situation in Nunavut to other periods in Canada's early history where economic booms were accompanied by high birthrates or infusions of immigrants. They failed, however, to consider an essential fact - that almost nothing is produced in Nunavut. All the other population increases in Canada's history were made possible by global capitalist developments and the need to expand the country's industrial workforce. Inuit population increases, on the other hand, will occur in the context of economic dependency.<sup>104</sup>

In addition to population growth and decentralization, attempts to gain access to the rent circuit within the territorial bureaucracy are also made by asserting the need for various cultural programs. Although programs that assert the importance of integrating Inuit traditions into government programs are made under the auspices that they will enhance Inuit self-esteem and "self-reliance", what is not understood is that these programs also act to artificially inflate Inuit employment. This is because the "qualifications" required for cultural programs are not necessary for the functioning of the territory, and are often even contrary to its effectiveness and efficiency.<sup>105</sup> Inuit employees tend to be the only people in Nunavut who speak Inuktitut<sup>106</sup> or who can be designated holders of "Inuit traditional knowledge", ensuring that uneducated Inuit beneficiaries can obtain employment for which they would be otherwise unqualified.<sup>107</sup>

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Corporation in 2001-2002). It is also very difficult to recruit qualified professionals to work in small communities fraught with social problems and no amenities.

<sup>103</sup>James Stevenson, "Inuit population explosion both feared and cheered", *Canadian Press Newswire*, March 30, 1998.

<sup>104</sup>This is particularly disturbing in the context of teenage pregnancy and the difficulties Inuit women have finishing school. But instead of having an educational campaign to combat teenage pregnancy, the Nunavut government is building daycare facilities in schools. For a further discussion of this, see Caroline Alphonso, "Keeping mom in class", *The Globe and Mail*, May 14, 2005, F7.

<sup>105</sup>Attempts to make Inuktitut the "official language of Nunavut", for example, creates tremendous problems because it is a pre-literate language not suited for use in complex legal and bureaucratic procedures. This became apparent in a trial in Nunavut, when the term "reasonable doubt" was translated into the phrase "without magic". For a discussion of this case see Doug Ashbury, "Lost in the translation: Court case undermined by poor interpretation", *News/North*, November 10, 1997, A3; and "Language not an obstacle to justice", *News/North*, November 17, 1997, p.A7; and Doug Ashbury, "Legal languages a world apart: Court transcripts show meanings can change with each translation", *News/North*, November 24, 1997, A13.

<sup>106</sup>Donald Purich notes that designating Inuit as an "official language of Nunavut" will give Inuit "an important advantage in running their government" because "presumably the number of non-Inuit professionals and administrators who are fluent in Inuktitut is limited; therefore, Inuit people would likely fill most government posts". Donald Purich, *The Inuit and their Land: The Story of Nunavut* (Toronto: Lorimar, 1992), 12.

<sup>107</sup>Attempts to obtain employment for Inuit elders so that they can teach students about "traditional knowledge", for example, stress that more funding is needed to accomplish this. Peter Kilabuk, the Minister of Education, for example, notes that although a new *Education Act* dictating the implementation of "Inuit traditional knowledge" was being developed, there was not "enough money to bring in elders on a full-time basis". As a result, Kilabuk notes that the Nunavut government is "trying to draw in partners,

It is also important to recognize that the expansion of programs and structures in the territorial government is only a portion of the rentier activity in Nunavut. In addition to a larger territorial bureaucracy, the Nunavut settlement has also resulted in the creation of a number of "designated Inuit organizations" (DIOs)<sup>108</sup> with the "right of first refusal throughout Nunavut to the following ventures: new lodges (sports or naturalist); wildlife propagation, cultivation or husbandry enterprises; and marketing wildlife (including parts and products)".<sup>109</sup> There is also an extensive "Wildlife and Environmental Management Regime",<sup>110</sup> where a number of boards and commissions oversee aboriginal harvesting<sup>111</sup> and monitor the environment more generally.<sup>112</sup> Although these organizations are promoted because of their capacity "to place a great deal of control in Inuit hands" through greater representation,<sup>113</sup> they also provide additional jobs for the Inuit – i.e. increased access to the rent circuit. One particularly significant Inuit organization in this regard is Nunavut Tunngavik Incorporated, which "implements the Inuit obligations of the Nunavut Land Claims Agreement, and ensures that other signatories to the Agreement meet their obligations".<sup>114</sup> According to Nunavut Tunngavik Incorporated's financial statements, \$24 million was required for this in 1998 and \$21.5 million in 1999<sup>115</sup> - money that is largely spent on salaries and subsidies for elders and hunters. In

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organizations we told we needed help" in obtaining more funding. Dawn Ostrem, "Not enough: Money missing ingredient to expanding Inuit education, *Northern News Services*, January 29, 2001.

<sup>108</sup> A study prepared for the Royal Commission notes that "with the signing of the Nunavut Final Agreement, on the division of the NWT, the Nunavut Trust has been set up as the principle investment body of \$577 million the Inuit will receive over the next several years. Interest made through Nunavut Trust investments is turned over to Nunavut Tunngavik Inc. which, in turn, develops a budget based on its own administrative operations and those of the three regional Inuit Associations (Kitikmeot, Keewatin, and Baffin). These three Inuit Associations use part of the proceeds to invest and accumulate wealth through their own regionally based development corporations". Michael J. Prince and Gary Juniper, "Public Power and the Public Purse", *For Seven Generations*.

<sup>109</sup> *Final Report*, 2(2), 726. For a discussion of this aspect of the agreement with respect to mining companies, see Jon Pierce and Robert Horal, "Aboriginal people and mining in Nunavut, Nunavik and Labrador", *For Seven Generations*; and Price Waterhouse, "Aboriginal Participation in the Minerals Industry", *For Seven Generations*. The latter notes that "the undertaking of major development projects (e.g., in excess of \$35 million in Nunavut) may be subject to socio-economic negotiations. These "participation" agreements ensure Aboriginal communities benefit from mining projects. Holders of mineral rights isolated within Aboriginal-owned lands wishing to explore, develop and produce minerals, may be expected to negotiate conditions related to participation, wildlife compensation and communication. This participation will often meet the needs of the local Aboriginal community".

<sup>110</sup> This is also examined in Gurston Dacks, "Nunavut: Aboriginal Self-determination through public government", *For Seven Generations*.

<sup>111</sup> *Final Report*, 2(2), 746-748.

<sup>112</sup> The Royal Commission notes that the Nunavut Water Board "is perhaps the most important management model to date. Inuit rights to water use, management and administration are now recognized and have been integrated into the joint management regimes. The board also contemplates a cohesive and co-ordinated approach to water management and administration in the settlement area by way of the interface between the board and land use planning and environmental assessment provisions". *Final Report*, 2(2), 664. See also 2(2), 668 for an assertion of the Water Board's importance.

<sup>113</sup> *Final Report*, 4, 436.

<sup>114</sup> "Mission Statement", [www.tunngavik.com](http://www.tunngavik.com).

<sup>115</sup> Nunavut Tunngavik Incorporated, *Financial Statements*, March 31, 1999.

addition to a ten-member board and 57 employees, Nunavut Tunngavik has three “affiliated organizations” in the three geographic areas of Nunavut.<sup>116</sup>

As well as creating superfluous employment, these organizations are noteworthy because of their acquisition of government contracts. These contracts are made possible by Article 24 of the Nunavut Land Claims Agreement,<sup>117</sup> which stipulates that Inuit organizations be given preferential access to government contracts in the bidding process. This enables these organizations to take on a similar role as the “sponsor” in rentier states; Inuit organizations acquire contracts with padded budgets, and then non-Inuit companies become the subcontractors that actually provide the service. Like rentier states, the economic activity of these organizations “in many cases consist[s] in no more than taking advantage of special situations entrusted to them by law or fact”. And because the Inuit obtain periodic disbursements from the land claim unlike non-Inuit, their Inuit ancestry, like citizenship in the Middle Eastern countries, has become a “financial asset and hence a source of income”. In fact, the periodic payouts made by these Inuit organizations means that Nunavut constitutes an extreme case of rentierism, where “income is derived simply from citizenship”.

All these attempts to give the Inuit preferential access to federal transfers – whether in employment, contracts, or subsidies – result in the development of the same “rentier mentality” that was documented in other areas relying on externally generated rents. Rewards for the Inuit come from their legal “situation”, and are not “integrated in a *process* as the end result of a long, systematic and organized production circuit”. Inuit expect rewards, not because of the contributions that they make to the wider society, but because they are a “beneficiary” of the Nunavut land claim.

The rentier character of Nunavut’s economy has also resulted in increasing inequalities in the region. As has occurred in the Middle East, the government’s role as the recipient of externally generated transfers has disproportionately increased the wealth of a “rentier class” in the territory. A small Inuit elite, in association with a number of non-Inuit advisors and consultants, control the distribution of rents. While some of this rent “trickles down” to Inuit in the form of various subsidies, a large proportion of Inuit are excluded from the lion’s share of the rent that is disbursed through contracts and sinecure

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<sup>116</sup> The “affiliated organizations” referred to in the report are the three regional associations that represent the different geographical areas of Nunavut - the Kitikmeot Inuit Association, the Kivilliq Inuit Association and the Qikiqtani Inuit Association. All of these organizations also have substantial boards and additional employees to ensure that access to rent is spread around the territory. The largest is the Qikiqtani Inuit Association, located on Baffin Island, which has a board of 18 members and 22 staff ([www.qikiqtani.nu.ca](http://www.qikiqtani.nu.ca)). There are also two additional organizations connected to it, the Kakivak Association and Qikiqtaaluk Corporation. The former has 15 employees and claims to be involved in “economic development”, while the latter has another board of seven members that oversees the activities of 20 staff members who manage a number of its “holdings” and “joint ventures”. Essentially, most of the “economic development” for these organizations involves obtaining preferential treatment from the Nunavut and federal governments in their bids for government contracts and jobs (guaranteed by the Nunavut land claims agreement).

<sup>117</sup> “Government Contracts”, *Agreement Between the Inuit and the Nunavut Settlement Area and Her Majesty the Queen in right of Canada* (Indian and Northern Affairs Canada and Tungavik Federation of Nunavut, 1993), 197-202

positions. This has led to the observation that “two classes of Inuit” have been formed in Nunavut – the class with “well paying government jobs” (i.e. the rentier class) and those that remain unemployed on social assistance.<sup>118</sup>

These inequities are reinforced by the type of politics that exist in Nunavut – a politics that is common in rentier states. Like Middle Eastern countries, the concern in Nunavut is with *how* rents are distributed, not progressive transformation of the system.<sup>119</sup> Such a circumstance can be illustrated by the resistance to the development of political parties in the territory. Known as “consensus government”, politics in Nunavut is organized around the constituency level whereby elected representatives vie for increased government jobs and transfers to their particular community. The result is an absence of any coherent policy development in the territory to solve the serious social problems plaguing the region<sup>120</sup> – problems that show no signs of abating despite continuous increases in federal transfers.<sup>121</sup>

It is also possible that these inequities are being exacerbated by the tribal basis of Inuit cultures. Inuit cultures, like those of aboriginal peoples more generally, differ from the attitudes and values in Canadian society in that they are kinship-oriented. Loyalty is to one’s family rather than to the wider society, which results in the problem of granting favours to friends and relatives within a territory organized geographically.<sup>122</sup> This creates the possibility of many jobs and contracts being distributed on the basis of family connections, not because of qualifications or that they offer the greatest social benefit.<sup>123</sup>

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<sup>118</sup> Mahoney, "Nunavut creating two classes of Inuit", *The Globe and Mail*, April 5, 1999, A4. This division is also described to some extent by Hicks and White, “Nunavut: Inuit Self-Determination...”, 402-5.

<sup>119</sup> This is also due to the fact that “there is a disinclination among Inuit to think in terms of or identify themselves with standard class perspectives”, and the fact that “organized labour has only shallow roots in Inuit society”. Hicks and White, “Nunavut: Inuit Self-Determination...”, 403.

<sup>120</sup> This was a problem noticed by Albert Howard and myself while working in the Northwest Territories, which sparked a public debate on the subject. Frances Widdowson and Albert Howard, “Corruption North of 60”, *Policy Options*, January/February 1999; Graham White, “The Tundra’s Always Greener: A Reponse to Widdowson and Howard”, *Policy Options*, May 1999; and Frances Widdowson and Albert Howard, “Duplicity in the North: A Reply to Graham White”, *Policy Options*, September 1999.

<sup>121</sup> It is noted in a recent article on Nunavut, for example, that there are “escalating rates of violence and incarceration”. Hicks and White, “Nunavut: Inuit Self-Determination Through a Land Claim and Public Government”, 433.

<sup>122</sup> This problem is referred to by the Royal Commission with the euphemism the “inappropriate mix of politics and business”. For a discussion of this, see *Final Report*, 2(2), 843. It is also discussed by anthropologist Edward Van Dyke, who taught “cultural awareness” courses for the Northwest Territories government in the 1990s. In one of his papers, he outlines a hypothetical example of an aboriginal construction crew supervisor placed in the position of hiring twelve workers. The supervisor, abiding by the ethics of aboriginal culture, would hire twelve relatives because “he has been programmed from birth with a value system so personal that a commitment to relatives is emphasized as one of the highest authorities in life. Only a man who is morally reprehensible would act differently”. This view is offered in comparison to the supervisor “from a Euro-Canadian background”, who “would try to select the workers on the basis of their qualifications”. Edward W. Van Dyke, “Families in Other Cultures” (Calgary: Bear Spike Productions, 1988), p. 2.

<sup>123</sup> Although this problem has not been analyzed specifically in the case of Nunavut, it was documented in the case of the Inuvialuit land claim in the Western Arctic. Pedro van Meurs, a consultant working for the Inuvialuit since 1976, evaluated the “successes and failures” of the Inuvialuit land claim since its enactment in 1984. Van Meurs’ evaluation was especially critical of the Inuvialuit’s adoption of a “traditional

Something that requires further investigation is if the large transfers to Nunavut are increasing divisions between have and have-not kinship groups – a circumstance that has been well documented in many aboriginal communities in southern Canada.

### *The Withering Away of Nunavut*

In the political economy literature, the rentier character of Nunavut has yet to be recognized. Instead, accounts of the territory focus on its political structures, arguing that additional bureaucratic processes will help the Inuit to “build” a viable “mixed economy” in the region. There is also a widespread acceptance of the internal colonialism model, and so it is assumed that Nunavut consists of an “exploited periphery” of the southern Canadian “core”. The fact that the net transfer of surplus is from “southern Canada” to Nunavut, and not vice versa, is not really considered, even though it should be the starting point of the analysis.

This theoretical blind spot has been perpetuated by the intrusion of advocacy into the social sciences, leading political economists to focus on “how states may still be used to protect and to develop [the] local social and economic capacities [of aboriginal peoples]”.<sup>124</sup> Instead of striving for objectivity and attempting to develop a more rigorous understanding of aboriginal-non-aboriginal relations, it is now argued that the subjective opinions and spiritual beliefs of the native population should be incorporated into political economy to aid the decolonization process.<sup>125</sup> There is pressure to uncritically accept any viewpoint put forward by an aboriginal person, including the arguments of Inuit leaders that their tenacity will enable them to build an economy regardless of current social and economic imperatives.<sup>126</sup> Such a tendency is exacerbated by the fact that a number of social scientists moonlight as consultants and advisors to aboriginal organizations.<sup>127</sup> The result is a general concern with promoting increases in funding for the Inuit, rather than questioning the rationale behind the Nunavut project.<sup>128</sup>

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aboriginal form of organization whereby business and politics are mixed and whereby all economic and political matters are controlled by a single chief”. According to van Meurs, this “creates the problems of defining the role of the 'leaders'. It is impossible to be a good political leader and a good business leader at the same time. These qualities do not go together in the modern society. The 'leaders' therefore end up being either commercial leaders who loose [sic] touch with the electorate or political leaders who will squander the land claims capital, or both Pedro van Meurs, “Ten Years IFA’ - Successes and Failures, A Report Card”, December 1993, 3.

<sup>124</sup> Abele, “What Happened Here?”, 130.

<sup>125</sup> For a discussion of this trend in political economy, see Frances Widdowson, “The Killing of Political Economy”, 2-10.

<sup>126</sup> Such a tendency led Jim Bell, the editor of *Nunatsiaq News*, to comment the following on a recent book published about Nunavut: “If you decide to read this book, you’ll get a lot more out of it if you possess two things: a deeply compassionate heart and a relentless bullshit detector”. Jim Bell, “A starry-eyed egghead’s view of Nunavut”, *Nunatsiaq News*, May 11, 2001.

<sup>127</sup> I have discussed this problem elsewhere with Albert Howard in “The Aboriginal Industry’s New Clothes”, *Policy Options*, March 2002.

<sup>128</sup> This is related to rentier character of aboriginal economies. As Beblawi notes in the case of states that “semi-rentiers without oil” in the Middle East, foreign aid has “helped created a flourishing consultancy – legal, technical, economic etc. – business to prepare proposals for aid consideration. A new social class – lawyers, consultants, financial analysts, lobbyists, brokers, etc. – is on the rise everywhere”. Beblawi, “The Rentier State...”, 61-2.

In addition to seeing their role as advocates rather than social scientists, work on the political economy of Nunavut has been impeded because of the confusion of culture with race and the notion that the Inuit are somehow “naturally” tied to hunting and gathering in the Eastern Arctic. This can be seen in assertions that Inuit inhabitation of Nunavut is a “human right”<sup>129</sup> and efforts to integrate them into the larger, more productive and complex Canadian economy and society is a form of “genocide”.<sup>130</sup> This view fails to recognize that the Inuit migrated to what is now Nunavut by assimilating other people themselves,<sup>131</sup> and hunting and gathering was an activity common to all people in human history before plants and animals were domesticated. It was this development of intensive agriculture out of hunting and gathering, in fact, which created the foundations for the large, productive and complex societies that exist today.

Nunavut, however, cannot develop agriculture because of its climate and geography. And while hunting and gathering sustained Inuit for centuries before European contact, in the modern context, the continuance of a “traditional lifestyle” has meant dependency and social dysfunction. This is because Inuit are almost completely isolated from the production of large surpluses that makes life in Nunavut possible. Anomic conditions prevail because Nunavut is completely irrelevant to Canadian development, and young people in the region cannot understand how they fit into the modern world.

When the unviable character of Nunavut is recognized, the only sensible policy in the long run appears to be gradual depopulation. This does not mean forcibly relocating anyone who lives in the territory, only encouraging people to gradually migrate to larger centres. Most importantly, it means ending costly and unworkable decentralization schemes, which assume that an economic and political system can be “built” with large external rents. Nunavut, like all parasitical appendages on productive economies and societies, should be allowed to “wither away” as the younger generation seeks out a more stimulating and productive life.

Although the depopulation of Nunavut and the gradual integration of the Inuit into more productive processes is necessary if they are to become actual participants in the development of humanity, achieving this is a very difficult process that can only be undertaken with a great deal of sensitivity. But the difficulties in achieving such an outcome does not justify fabricating Inuit productivity with the infusion of externally produced rents. Artificially maintaining hunting and gathering traditions in the modern context disguises the fact that Nunavut actually exists as a territory for warehousing the Inuit. The serious consequences are an increase in abuse, suicide and fetal alcohol syndrome – social problems that actually do have the potential to wreak “genocide” upon the population.

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<sup>129</sup> Hicks and White, “Nunavut: Inuit Self Determination...”, 427.

<sup>130</sup> Robert David and Mark Zannis, *The Genocide Machine in Canada: the Pacification of the Canadian North* (Montreal: Black Rose Books, 1973).

<sup>131</sup> See Keith Crowe, *A History of the Original Peoples of Northern Canada* (Edmonton: Arctic Institute of North America, 1974), for a discussion of how the current Inuit assimilated, or possibly exterminated, the Dorset – the group that inhabited what is now Nunavut 2,000-3,000 years ago.