Boiling Mud: Towards a comparative political economy of Venezuela and Alberta

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Abstract

The staple trap metaphor is ubiquitous in Canadian political economy. It implies that Canada's wealth is rooted in the exploitation of natural resources, and that the export of these staples forms the (very unstable) core of the economy. This paper will explore the staple trap metaphor through a comparative analysis of Venezuela and Alberta. Venezuela has the same oil-soaked mud as does Alberta – but Venezuela remains extremely poor, while Alberta is a centre of enormous wealth.

First the paper will compare the two boiling mud economies through the lens of Canada and Venezuela's very different locations in the world economy. Canada is very much at the top of the hierarchy of nations, not at the bottom. It is one of the architects of the current world system, not one of that system's principal victims.

Second, the paper will deploy the “political” half of the couplet “political economy.” Alberta’s economic development has occurred in the context of a capitalist class whose establishment of effective sovereignty and the creation of a home market has roots going back to the 19th century in Central Canada, and to early in the 20th century in the West. Venezuela, it will be argued, has only begun to assert effective sovereignty this century, in the shape of the controversial rule of President Hugo Chávez Frías.

This paper is a continuation of research developed in a forthcoming book, *Escape from the Staple Trap: The future of Canadian political economy.*
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Introduction to the politics of bitumen

Canada’s political economy of oil discussion has become extremely polarized. Newly-elected leader of the opposition, Thomas Mulcair, on a Spring 2012 trip to Alberta, while referring to the oil industry in the northern part of that province, “was about to substitute ‘tar’ for ‘oil’ when he hastily corrected himself” (Fong 2012). Mulcair was nervous for good reason. It has become politically incorrect, in certain circles in Alberta, to use the prefix “tar” as opposed to “oil” when referring to the mud which contains vast quantities of difficult-to-recover petroleum. In April 2011, Calgary Herald editorial board member Paula Arab argued: “Tarsands is inaccurate and pejorative. It has become part of the rhetoric of extremists who are anti-oil and who want to shut down the industry” (Arab 2011).

However, the proscription on the use of the adjective “tar” is: a) relatively recent, and; b) a rule more honoured in the breach than the observance. The not terribly extremist web site “OnePetro”, operated by The Society of Petroleum Engineers, has a database of “130,000 documents produced by 17 publishing partners” (Society of Petroleum Engineers 2012). A search of this massive database, restricted to the term “tar sands” brings up 1,470 different items, in conference papers as varied as “Comparing Venezuelan and Canadian Heavy Oil and Tar Sands”
(Dusseault 2001), and “Promising Approaches to Enhance SAGD Performance in Uneconomical Tar-Sands” (Akhondzadeh et al. 2012).

Helpfully, Mr. Mulcair has come up with a compromise. “They’re bitumen sands” he said after his near-tar *faux pas* “because the chemicals are neither oil nor tar” (Fong 2012). This paper will suggest an additional linguistic turn as an alternative to “tar sands”. Arguably, a more accurate phrase, would be the one used in the title of this paper – “boiling mud”. Look at each component of the phrase separately, beginning with the second, “mud”. Technically, what is at issue are “heavy oil deposits … found largely in unconsolidated sandstones … The term ‘unconsolidated’ … is analogous to the term ‘cohesionless’ in the soils or rock mechanics sense: it is meant to convey the fact that these sandstones have no significant grain-to-grain cementation, and that the tensile strength is close to zero” (Dusseault 2001, 1–2). In other words, “mud”, oil-soaked mud. Now look at the first component of the phrase, “boiling”. There are many techniques for separating the heavy-oil from the unconsolidated sandstone (mud), and many of these involve boiling. Open-pit mines in Alberta use “hot water extraction for near-surface deposits”. Among the first commercial developments of bitumen sands in Canada was Imperial Oil’s Cold Lake Project using “cycling steam injection” (Dusseault 2001, 3). For more difficult to access oil-soaked mud, Steam-Assisted Gravity Drainage (SAGD) is often “most suitable”, a process which involves “drilling one or two horizontal wells at the bottom of a thick unconsolidated sandstone reservoir, injecting steam slowly and developing a ‘steam chamber’. The heat and steam rise, whereas condensed water and mobilized oil flow downward through the porous
medium by counter-current, gravity-driven flow” (Dusseault 2001, 6). We can usefully summarize all three of these methods of extracting the oil from the mud (unconsolidated, cohesionless, sandstone), as “boiling”. They boil the mud to extract the oil. Perhaps this term “boiling mud” will prove more acceptable to Ms. Arab than the term “tar sands”.

Mr. Mulcair indicated his willingness to forego use of the prefix “tar” saying: “If removing that linguistic impediment can make the conversation easier, I’m not going to keep it in place intentionally”. However, he added: “a linguistic cleanup doesn’t change anything about what we’re talking about in terms of the ecosystems” (Fong 2012). Mr. Mulcair is completely correct. The tempest over the use of the prefix “tar” is a distraction from the real issues at stake, one of which of course is that of the ecosystem. This paper’s focus will be on another issue associated with bitumen sands, the relation of the oil industry to politics, democracy and sovereignty. This will be done through a comparative analysis of two societies where bitumen sands play a large role – Alberta in North America and Venezuela in South America, with a specific focus on a) the 2012 provincial elections in Alberta, and; b) the 2002-2003 confrontation between the state-oil company in Venezuela, and the Venezuelan government.

Venezuela has the same oil-soaked mud as does Alberta. A 2001 study estimated that between Venezuela and Canada, there existed approximately 3.4 trillion barrels of “Original Oil in Place” (OOIP) within bitumen-soaked mud, 2.2 trillion in Canada and 1.2 trillion in Venezuela, accounting for between 55 and 65% of the known reserves of such oil in the world. In Venezuela, the heavy oil exists in
the Faja del Orinoco deposits. In Canada, this resource is located in the heavy oil belt of northern Alberta and Saskatchewan, with Alberta containing the majority (Dusseault 2001, 1–2). The most recent estimates compiled by the Energy Resources Conservation Board in Alberta, assert that in that province alone, there are approximately 1.8 trillion barrels of heavy-oil sitting in the mud, of which 177 billion barrels are recoverable using current technologies (ERCB 2011, 3–2).

Venezuela’s slightly smaller heavy oil deposits, by one estimate, are somewhat more recoverable, with approximately 267 billion barrels waiting to be pulled out of the mud using current technologies. One 2010 estimate placed this figure much higher, at 513 billion barrels. To put this in perspective, the world’s greatest known reserves of easily recoverable oil are located in Saudi Arabia, which had an estimated 250 billion barrels of recoverable oil in 2001, a figure which had grown to 260 billion by 2010 (Dusseault 2001, 2; BBC News 2010). Venezuela’s total recoverable oil probably exceeds that of Saudi Arabia, and the 177 billion barrels in Alberta represent close to two-thirds of Saudi Arabia’s total. If 15% of Alberta’s entire heavy oil deposits can be recovered (a figure many in the industry think is conservative), then Alberta’s total recoverable oil reserves would rise to 300 billion barrels, more than in Saudi Arabia and rivaling Venezuela. The heavy oil soaked mud in Venezuela and Canada (in particular Alberta) are therefore an extremely important source of oil for the world economy in the 21st century.

However, Venezuela remains extremely poor, while Alberta is a centre of enormous wealth. The paper will explore the different places occupied by Venezuela and Canada (and by extension, Alberta) in the world hierarchy of nations, and
indicate the way in which these differences have shaped the formation of class
relations in the two societies, and led to a very different trajectory for the two
economies. In both, class forces associated with the oil industry do exert a strong
influence on the political system. However, the specific way in which that influence
is expressed is quite different. Understanding these differences will highlight the
danger of an economic determinist approach to the study of bitumen sand
economies, and the need for a deep appreciation of the different political dynamics
of economies situated in the Global North as contrasted with those situated in the
Global South.

**Alberta, Venezuela and the hierarchy of nations**

The principal reason for choosing Alberta and Venezuela as the two points in a
comparative study, as it concerns oil, is straightforward. These two geographic
locations, as we have seen, house the two most significant known concentrations in
the world of heavy-oil soaked mud. But if Venezuela and Alberta are similar in terms
of heavy-oil deposits, they are extremely dissimilar in terms of their position and
trajectory in the global economy. In general terms, Alberta and Canada are in the
Global North, while Venezuela is an economy in the Global South – by no means one
of the poorest such countries, but extremely far removed from the economic place of
Alberta and Canada as a whole. The quickest way by which to capture an economy’s
place in the world’s hierarchy of economies, is through the measure of Gross
Domestic Product per person in the country. This is, of course, a very general
measure, and is only the beginning of an analysis, not its end point. It is, however,
important to begin. The first figure here displays GDP per capita, measured two
different ways, for Canada as a whole and Venezuela, from 1960 until 2010. For the
years 1984 to 2008, a comparable figure is given for Alberta. The results capture the
divide between Venezuela and Canada in general, and Venezuela and Alberta in
particular, extremely clearly.

**GDP per capita, two measures, Venezuela, Canada and Alberta, 1960-2010**

(Statistics Canada 2012b; Statistics Canada 2012a; Statistics Canada 2011; Bank of
Canada 2012; OANDA 2012; World Bank 2012)

The first method measures GDP per capita in Venezuela and Canada in comparable
2000 U.S. dollars (to remove the effects of inflation). Interestingly, the two countries
were not far apart in 1960, Canada’s GDP per capita sitting at $9,375, Venezuela’s at
$5,437. But over a half a century, Venezuela’s figure stagnated, by 2010 sitting at just $5,528. Canada’s, on the other hand, had increased steadily to $25,575. This picture does not change materially when a more reasonable comparison is made, one which measures GDP per capita after converting local currencies to their 2005 “Purchasing Power Parities” (PPPs), a method which attempts to reduce distortions built into GDP per capita figures created by the different strengths and weaknesses of an economy’s currency (Canada’s currency being among the world’s strongest, Venezuela’s being relatively weak). Measured in 2005 PPPs, Venezuela’s GDP per capita in 1980, at $11,594, was about double what it was measured in U.S. dollars. However, by 2010, it had actually shrunk to $10,973, while the average figure for Canada as a whole rose steadily in the same period, from $23,070 to $35,223.

The most striking contrast, however, emerges not from a comparison of Canada as a whole to Venezuela, but from the province of Alberta to Venezuela. We don’t have PPP figures for Alberta. However, we can easily derive GDP per capita figures expressed in 2000 US $. The picture that emerges is startling. Until 2003, Alberta’s GDP per capita tracked very closely to that of Canada as a whole. But from 2003 on, it has greatly exceeded the Canadian average, by 2008 sitting at the heady figure of $57,230, double that of the Canadian average, and ten times greater than the comparable figure in Venezuela. Without question, Alberta and Venezuela exist in extremely different places in the world hierarchy of economies.

As was indicated previously, GDP per capita is just the beginning of an analysis – a preliminary window into the complex entities we call “economies”. The trouble is, people don’t live through “GDP per capita,” we live through other more
specific aspects of the economy – wages received from work, social wages received from government-provided services, access to education, access to fresh water and sanitation, etc. The next figure displays a key development statistic that is actually experienced – maternal mortality per 100,000 live births, from 1995 until 2008. In Canada, the figure ranges from 7 to 12. In Venezuela, by contrast, it ranges from 68 to 88. In other words, it is far more risky to give birth to a child in Venezuela than it is in Canada. The GDP per capita figures do not lie. Life is lived very differently in the Global South as compared to the Global North, in the Bolivarian Republic of Venezuela as compared to Canada.

Maternal mortality per 100,000 live births: Canada, Venezuela, 1995-2008

(World Bank 2012)
Bitumen and Politics I: Venezuela 2002-2003

While the heavy-oil soaked mud in the Orinoco region of Venezuela is in the same category as the heavy-oil soaked mud in Alberta, the way in which this oil resource interacts with politics in Venezuela is extremely different from the way in which it does so in Alberta. The story in Venezuela is bound up with the Great Powers, in particular the key role in the last century of oil as a fuel for Great Power economies, a lubricant for their rivalries and a source of incredible profit for corporations based in the Global North.

In the immediate aftermath of World War II, “Enrico Mattei coined the phrase ‘the seven sisters’ to describe the Anglo-Saxon companies that controlled the Middle East’s oil” (Hoyos 2007). It is a commonplace to say that their influence is less, now, than it was then. True as that might be, they are still very large and very powerful corporations. The following table lists the 12 biggest public corporations in the world, according to the most recent figures compiled by Forbes. Those highlighted in yellow (four out of the top 12) represent the former “Seven Sisters”, reduced to four through mergers. The two highlighted in green are oil companies from the Global South, newly-emerged into prominence. Six, then, out of the top 12 corporations in the entire world are based in the oil industry. In 2011, the combined sales of these contemporary six sisters was $1.97 trillion, netting profits of $165 billion.
**Twelve largest corporations in the world, highlighting the oil industry (figures in billions of current US dollars)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Country</th>
<th>Sales</th>
<th>Profits</th>
<th>Assets</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exxon Mobil</td>
<td>United States</td>
<td>$433.5</td>
<td>$41.1</td>
<td>$331.1</td>
<td>$407.4</td>
</tr>
<tr>
<td>2</td>
<td>JPMorgan Chase</td>
<td>United States</td>
<td>$110.8</td>
<td>$19.0</td>
<td>$2,265.8</td>
<td>$170.1</td>
</tr>
<tr>
<td>3</td>
<td>General Electric</td>
<td>United States</td>
<td>$147.3</td>
<td>$14.2</td>
<td>$717.2</td>
<td>$213.7</td>
</tr>
<tr>
<td>4</td>
<td>Royal Dutch Shell</td>
<td>Netherlands</td>
<td>$470.2</td>
<td>$30.9</td>
<td>$340.5</td>
<td>$227.6</td>
</tr>
<tr>
<td>5</td>
<td>ICBC</td>
<td>China</td>
<td>$82.6</td>
<td>$25.1</td>
<td>$2,039.1</td>
<td>$237.4</td>
</tr>
<tr>
<td>6</td>
<td>HSBC Holdings</td>
<td>United Kingdom</td>
<td>$102.0</td>
<td>$16.2</td>
<td>$2,550.0</td>
<td>$164.3</td>
</tr>
<tr>
<td>7</td>
<td>PetroChina</td>
<td>China</td>
<td>$310.1</td>
<td>$20.6</td>
<td>$304.7</td>
<td>$294.7</td>
</tr>
<tr>
<td>8</td>
<td>Berkshire Hathaway</td>
<td>United States</td>
<td>$143.7</td>
<td>$10.3</td>
<td>$392.6</td>
<td>$202.2</td>
</tr>
<tr>
<td>9</td>
<td>Wells Fargo</td>
<td>United States</td>
<td>$87.6</td>
<td>$15.9</td>
<td>$1,313.9</td>
<td>$178.7</td>
</tr>
<tr>
<td>10</td>
<td>Petrobras-Petroleo Brasil</td>
<td>Brazil</td>
<td>$145.9</td>
<td>$20.1</td>
<td>$319.4</td>
<td>$180.0</td>
</tr>
<tr>
<td>11</td>
<td>BP</td>
<td>United Kingdom</td>
<td>$375.5</td>
<td>$25.7</td>
<td>$292.5</td>
<td>$147.4</td>
</tr>
<tr>
<td>12</td>
<td>Chevron</td>
<td>United States</td>
<td>$236.3</td>
<td>$26.9</td>
<td>$209.5</td>
<td>$218.0</td>
</tr>
</tbody>
</table>

Totals for the six oil corps.          $1,971.5  $165.3  $1,797.7  $1,475.1

(DeCarlo 2012)

This corporate power, throughout the 20\textsuperscript{th} century, was inextricably linked with Great Power politics. Then premier of France, Georges Clemenceau, famously argued in 1917, that “gasoline was as necessary as blood in the battles of tomorrow” (Bérenger 1920, 60 - my translation). In 1918, ten days after the armistice, Lord Curzon – former Viceroy of India and soon to be British Foreign Secretary – told the assembled guests at a British government dinner put on for the Inter-Allied Petroleum Conference that: “The Allied cause had floated to victory upon a wave of oil” (Yergin 2008, 167).

World War One was the cauldron from which emerged the United States as the world’s dominant power, and at the time the world’s greatest producer of oil. As it went abroad looking for sources of oil to import, Mexico in the first instance was
more important than Venezuela. That changed March 18, 1938. In the context of a
strike in the oilfields “against the appalling conditions in shanties and hovels”, then
Mexican president Lázaro Cárdenas nationalized the foreign-owned oil companies.
So popular was this move, and so central to Mexican society, that March 18 was
“proclaimed as a new day of independence”. The response from the Great Powers
was swift. A boycott of Mexican oil was organized by the United States, the United
Kingdom and the Netherlands (Sampson 1991, 105). Even when the three
governments lifted the boycott “to satisfy the demands of the Second World War”,
the Seven Sisters were busy looking for an alternative place to do business.

Venezuela was a natural choice. There too, there had been a strike of oil
workers against appalling conditions, this time in 1936. But the Venezuelan “regime
joined with the oil companies to refuse the demands [and] sent in the police”
(Prashad 2007, 189). So while the Mexican people were left to “drawn in their own
oil” (the words of U.S. ambassador Josephus Daniels) (Prashad 2007, 192), the
Seven Sisters shifted their focus to the more compliant state of Venezuela. “In the
1950s, oil production doubled ... In 1957 alone the Seven Sisters made $828 million
in Venezuela, whose regime allowed them to remit all their profits without
restrictions. As one U.S. banker noted, ‘You have the freedom here to do what you
want to do with your money, and to me, that is worth all the political freedom in the
world’” (Prashad 2007, 189 and 191).

Beginning in 1958, the political and economic situation changed in form, but
not in substance. In 1958 a “new relatively progressive government led by Acción
Democrática (AD)” took office (Prashad 2007, 192) and in 1960 the Venezuelan
government created the Corporación Venezolana de Petróleo (CVP) “in an attempt to give the government more control over the oil industry within the country”. This was followed in 1976 by a nominal “nationalization” of the oil industry, in large part through the “creation of a new national company, Petróleos de Venezuela, S.A. (PDVSA) (McNew 2008, 150). But in fact, the oil industry remained in reality, in the hands of the seven sisters. The PDVSA did not do away with the oil concessions previously granted to the foreign transnational corporations. Instead, it “absorbed the fourteen existing entities and made them subsidiaries”. This “left a substantial amount of power in the hands of transnational managing boards that had formerly controlled the oil industry in Venezuela” (2008, 151).

The oil industry in Venezuela became even more oriented towards the Seven Sisters in 1992 through what was called the “Apertura” or “Opening”. This is the moment that the bitumen/tar/oil sands in the Orinoco become a major factor. The “Apertura” involved the signing of “thirty-two operating agreements and … four joint ventures operating within the Orinoco Belt”. These agreements involved “lower taxes and royalties to attract private enterprises under the premise that marginal oil fields were more risky and costly to operate” (2008, 152). The transnational corporations were, in effect, “sub-contracted” by PDVSA and were, in legal terms, not considered producers of oil, but service providers. This was very positive for the Seven Sisters, and very negative for the government of Venezuela.

Classifying these companies as service providers … allowed for more than simple involvement in the oil industry; it also allowed for considerable tax and royalty breaks unavailable to “oil producers”. 
Because these contractors were not oil producers, they did not pay the 67.7 percent income tax rate-the rate applicable to oil activities at the time they were created - instead, they only paid the 34 percent income tax rate applicable to non-oil activities. Moreover, these companies were receiving a complete royalty holiday because royalties were to be paid by the producer, in this case PDVSA, rather than the service providers, the foreign oil companies.

For the transnationals engaged in joint ventures in the Orinoco, “the PDVSA capped the royalties to be paid by these projects at 1 percent, as opposed to the 16.6 percent maximum available at the time. Likewise, these associations were only subject to a 34 percent income tax rate-the rate normally applicable only to non-oil activities” (2008, 153).

Why would a government, and a government-run enterprise such as PDVSA, enter into such one-way contracts with foreign oil corporations? Perhaps they were in no position to bargain, and had little choice. But perhaps there are other, more complex, class factors at work. In the dependency/underdevelopment literature, there is a term for an economic elite which works to enrich economic interests in the Global North, at the expense of national economic development – that term is “comprador”. Murray Dobbin points out that the term “has its origins in China” and “refers to any national economic elite that enriches substantially itself through selling out its own country’s assets and wealth to foreigners” (2007, 526). In an analysis of Egypt, Patrick Clawson summarizes what he calls neo-Marxist understandings of the comprador bourgeoisie as “the large bourgeoisie based on
trade and landownership ... said to be tied to foreign capital, and totally reactionary.” They exist in sharp contradistinction to “the ‘national bourgeoisie’ – smaller capitalists who are developing industry and whose interests are antagonistic to imperialism” (1978, 21). PDVSA is not “based on trade and landownership” and was not situated in the private sector. Nonetheless, until the 2002-2003 strike, it fits the understanding of comprador – based in the Venezuelan state, but oriented on the Global North, not national development. PDVSA in Venezuela, until the 2002-2003 strike, was a kind of “state capitalist” comprador corporation.

This was the situation that Hugo Chávez, in his fourth year in office as president of what was now called the Bolivarian Republic of Venezuela, set out to change. His goal was “Full Sovereignty Over Oil” and to accomplish this, he set out to gain 51% ownership of the 32 joint ventures with foreign companies, raise income taxes to 50%, and increase “royalties payable to the government from as low as 1 percent to 33 percent” (O'Grady 2005; Collier 2006). The response was violent. PDVSA management took advantage of the extreme instability which existed in 2002. In April of that year, an attempted coup d’état had almost removed Chávez from office. Eight months after that coup attempt, in December 2002, hoping “to topple Chávez by reviving a military-civilian coup effort that overthrew Chávez for two days in April 2002” PDVSA’s “executives, engineers, technicians and ship captains ... went on strike and shut down almost all operations for three months” (Collier 2006).
Chávez ended the strike, after three months, by declaring it unconstitutional, and dismissing 18,000 PDVSA employees. The class divide surrounding the strike is made clear from this dénouement. These 18,000 dismissed employees represented fully “90 percent of PDVSA’s white-collar workforce” but only half of the workforce as a whole (Collier 2006; Clough 2008). The poorest workers in PDVSA, the blue-collar workers, supported Chávez. The more well-off workers the white-collar “executives, engineers, technicians and ship captains” opposed him and were let go. The comprador elite, oriented on the Global North, is not comprised simply of a small layer at the top of Venezuelan society, but permeated deeply into what we typically call the “middle class”.

The departure of the vast majority of the “intelligentsia” who had directed work at PDVSA has been extremely serious for the Venezuelan oil industry. Anti-Chávista commentators are quick to document these troubles. “PDVSA’s effective crude oil production capacity has dropped to about 2.3 million barrels per day at best, compared with over 3.5 million barrels per day in 1998. ... PDVSA’s refineries – Amuay, Cardon, El Palito and Puerto La Cruz – are falling apart. All of PDVSA’s programmed maintenance activities at three refineries have been suffered frequent delays and postponements over the past several years. And dozens of workers have been killed or injured in refinery accidents since 2005” (Caracas Gringo 2009). Whether or not these details are correct, all agree that there are problems at PDVSA. And these problems are certainly related to the dismissal of virtually the entire PDVSA intelligentsia. However, it is not clear what choice Chávez had. The flow of profits had to be redirected back into Venezuela, instead of out of the country and
into the Global North corporations. The strike could not have been allowed to go on much longer, as it had brought the country to its knees, “with real gross domestic product (GDP) contracting 29 percent in the first quarter [of 2003], and 9.2 percent for the entire year, after already contracting 8.9 percent in 2002” (Clough 2008). The solution was to either capitulate, or create PDVSA anew with a politically reliable workforce, as only such a workforce would agree to a PDVSA oriented on Venezuelan development rather than Global North corporate profits.

**Bitumen and Politics II: Alberta 2012**

When our gaze turns to Alberta, the story is more opaque. There is a relationship between oil and politics, but it is a less dramatic story than that in Venezuela. One window into that story, is through an examination of the 2012 provincial election in that province. The story of that election, at one level, had little to do with oil. But if we work through the key elements of the election, we will end up discovering that, behind the scenes, quite a lot of the political dynamic in the province is bound up with the oil industry (This section derived substantially from Kellogg 2012).

Most coverage of the election, during the campaign, focused not on oil, but on the rise to prominence of the Wildrose Alliance Party. The party is made up in large part of former supporters of the Alberta Tories – some of them so conservative in their views that their party earned the nickname “Tea Party North”, and was touted by almost every polling agency to be headed for a convincing majority in the April 23 provincial election. But in the end, the pollsters were completely wrong, Wildrose winning only 17 seats and 34% of the vote (CBC News 2012a).
Wildrose lost in spite of getting substantial elite backing. Many of the usual supporters of Canadian conservatism broke from their traditional support for the Alberta Tories, and backed Wildrose. The editors of the *National Post* led the way, saying “Alberta’s government could use some fresh blood and vibrant new ideas” (National Post Editorial Board 2012). The *Edmonton Sun* editors said that “the Wildrose party has the vision and energy to set Alberta on a course to a bold and exciting future” (Edmonton Sun 2012).

Those “vibrant new ideas” were a large part of the reason Wildrose failed to win. Many of them proved unpalatable to Alberta voters. Ron Leech, Wildrose candidate in Calgary-Greenway, said on April 16: “I think as a Caucasian I have an advantage .... As a Caucasian, I believe that I can speak to all the community” (Gerson 2012). Leech’s colleague, Allan Hunsperger, running in Edmonton-South-West, wrote on his church’s blog in June 2011 that the fate of those who did not live as heterosexuals would be to “suffer the rest of eternity in the lake of fire, hell, a place of eternal suffering” (Wood 2012a).

Now these views were known when the editorial board of the *National Post* deliberated, but they nonetheless decided that Wildrose politicians would be the best stewards of Alberta’s future. Any new party running a full slate of candidates, they argued, “will inevitably be stuck with a few loose cannons” (National Post Editorial Board 2012). Perhaps, but cannons can be fired, and party leader Danielle Smith, when confronted with these two particularly obscene cannons, chose not to pull the trigger. She said, for instance, that Hunsberger was “free to hold his personal views” (Wood 2012a).
April 23, Smith found out that if she wouldn’t deal with Leech and Hunsberger, the people of Alberta would. Both went down to defeat. Revulsion over their views, and the way in which party leader Smith was willing to tolerate these ideas in her party, led to a surge in voter participation, rising sharply to 57% from the all-time low of 2008, when only 41% of eligible voters cast a ballot (Postmedia News 2012). The unexpected trek to the polls of thousands of people, enraged at these and other Wildrose policies, meant that, far from winning the majority most predicted, Wildrose would have to be content with the status of official opposition. The provincial conservatives kept a 41-year unbeaten streak going, winning 61 seats with 44% of the vote (CBC News 2012a).

**The turnout surge in context**

To understand dynamics in Alberta politics, it is necessary to quite closely study this surge in voter turnout relative to the election of 2008, in context with two other key dynamics. First, there was a substantial increase in support for Wildrose, its vote going from 64,407 votes to 444,996, an increase of 381,000. Second, there was a dramatic decrease in support for the Liberals – from 251,158 in 2008 to 125,000 in this election, a decrease of almost 126,000. Third, there was the surge in turnout itself, rising from 950,363 to 1,290,218, an increase of almost 340,000. The next figure captures these dynamics visually. (The figure includes a fourth item – the increase in support for the NDP, whose vote increased 45,000, from 80,000 to 126,000. The increase in NDP support is interesting in itself, but not the main focus of this paper).
Key dynamics of 2012 Alberta provincial election

(CBC News 2012a; Postmedia News 2012; Chief Electoral Officer 2008, 142)

We of course don’t know precisely who changed votes from one party to another. But we can reasonably identify the main trends. Without question, the bulk of the Wildrose vote came from disgruntled ex-Tories, who felt that Redford was abandoning core conservative policies. The flight from the Tories to the Tea Party North was in fact, massive. If you peg that figure at 70%, it drops the Tory vote to 235,000. There was a smaller, but important current, of Liberals shifting to the Tories, because of fear of Wildrose, and because of the new “liberalism” represented by Redford. Certainly the majority of these switched to the newly-minted Redford Tories. Using the same approximation of 70%, this raises the Tory vote to 323,000,
better, but still far behind Wildrose. Focusing on just these two dynamics is what led the polling community to almost universally call for a Wildrose majority.

Enter the new voters. In 2008 just over 950,000 cast a vote. This time, turnout surged to 1,290,218. The next chart illustrates the way in which this and the other two key dynamics have led to a recomposition of the Tory vote in Alberta. The only way for the Tories to have achieved their final total of 567,051 (given the assumptions which inform the preceding analysis), was for them to have received the support of 70% of these new voters. This surge of new support for the Tories was in the main a surge of revulsion against Wildrose. It absolutely confounded the pundits.

Recomposition of Tory vote in Alberta

(CBC News 2012a; Postmedia News 2012; Chief Electoral Officer 2008, 142)
Again, these figures need to be qualified. We of course don’t know why each of the thousands of new voters headed to the polls, nor for whom they voted. All of the figures above are at best, educated guesses. But – the dynamics they represent “feel” accurate, for those who were in Alberta for the election. The hatred for the newly-liberal Tories that came from the conservative media was everywhere. The even more intense visceral hatred for Wildrose policies was palpable in coffee shops, on campuses, and on Facebook. There was real fear that the conservative push for Danielle Smith would lead to a Wildrose majority, and intense worry about what a “Tea Party North” government would do to Alberta. This translated into a passionate push, particularly by young people, to get to the polls and vote against Wildrose.

**Evolution of the Tories**

Redford knew this. She knew that her only road back into office was to be a Tory who didn’t look like a Tory. In a way that would seem very confusing to those outside Alberta, the Alison Redford led Tories were at pains throughout the campaign to present themselves as a liberal alternative to Wildrose, at one point in the campaign taking out a full-colour, full-page newspaper ad, saying “this is not your father’s” conservative party (Wood 2012b).

In fact the Redford Tories do represent, at one level, a quite different set of politics from the Alberta Tories led by Ralph Klein in the 1990s. Klein was a western cousin (in the ideological sense) of Ontario’s Mike Harris, embracing attacks on social programs as a key to dealing with the 1990s’ post-recession deficit problem. Redford, the surprise winner of the Tory leadership race in September 2011, came
out on top by advancing policies far different from those of Klein or Harris. In fact in a very real sense, she won by running against the Conservative record. She “dismissed the ‘arrogance’ of her own cabinet, slammed a controversial land law and pushed for a judicial inquiry into her government’s handling of the health-care file”.

In the words of one reporter, “some of Ms. Redford’s policies are indeed liberal-esque: implementing comprehensive (and expensive) ‘family care centres’ as a pillar of what is already Canada’s costliest health system, proposing higher government payments to the disabled and supporting pay hikes for employees of non-profit agencies” (Wingrove 2011). This is the political profile of her victorious leadership campaign – a political profile that is very different from a Klein or a Harris.

Redford’s victory – in part based on running against the Conservative record, led many Liberals and even some NDPers to look to her as a “centrist” political option.

Prior to Redford’s accession to leadership, the Alberta Tories under Ed Stelmach had become deeply unpopular. In choosing Redford, the Tories had chosen to address their electoral difficulties, by moving away from some of their more right-wing policies. The pollsters’ confidence in a Wildrose victory was based on the assumption that this would backfire, lead to a conservative backlash and the growth of Wildrose – because politics in Alberta always moves to the right.

There was a move right, from the Tories to Wildrose. However, there was also a bigger and more important backlash against Wildrose. The key factor in the 2012 election was not the conservative backlash against Redford’s “liberalism”, but an anti-Wildrose backlash as their extreme conservative politics became exposed.
**Bitumen**

This is where bitumen enters the picture. The politics of oil has many dimensions, but one of them is the alleged relationship between bitumen/tar/oil sands development and climate change. And this was the other key issue which galvanized opposition to Smith – her stance on climate change. She angered many in the province when she argued, one week before the election, that the question of climate change was not yet settled (The Canadian Press 2012). This is an enormous issue in Alberta, centre of the Athabasca oil/tar/bitumen sands. Smith herself acknowledged the role of climate change in her defeat, saying after the election that she and her party would have to reconsider some of their policies. “The fact of the matter is there are certain policies that clearly Albertans didn’t want to see implemented,” including on her list her questioning of climate change (CBC News 2012b). This is extremely interesting in itself. In Alberta, a province quite dependent on the exploitation of the bitumen/tar/oil sands, there is a substantial body of opinion quite worried about the environmental impact resulting from the exploitation of this resource. Given this, the extreme linguistic political correctness of the *Calgary Herald* editorial board, with which this paper began, can be seen not so much as a “West versus East” provincialism, but rather as a conservative backlash against environmental concerns which are widespread inside the population of Alberta itself.

This does not complete the discussion of the politics of oil, as it manifested itself in the 2012 Alberta provincial election. Without question many thousands of voters recoiled from Wildrose because, in part, of the perception that in office they
would ride roughshod over environmental concerns. But the fact that Redford is no Klein and that the climate-change skeptic Smith lost, leaves does not mean that the oil companies themselves lost. Examine the reason that the editors of the *Globe and Mail*, Canada’s national newspaper of conservatism, backed the Tories not Wildrose. They saw Redford as a more positive voice for Alberta’s oil industry, arguing that “her Canadian Energy Strategy would facilitate the shipment of oil-sands oil to Asia, the U.S. and Central Canada; she also promises to help fund oil-sands extraction technology” (The *Globe and Mail* 2012).

The *Globe and Mail* editors were reflecting the point of view of big sections of Corporate Alberta, which was very comfortable with a victory by either Wildrose or the Tories. Both parties received corporate donations running to the hundreds of thousands of dollars, in the case of Wildrose almost reaching one million dollars. Significantly, 25 corporations hedged their bets, giving cash to both parties, most prominently, companies in the petrochemical and energy industries. For Cenovus, Enbridge, Encana, Marathon Oil, North West Upgrading, NOVA Chemicals, Penn West Petroleum, Suncor Energy, Transalta and TransCanada Pipelines – there was a certain indifference. Smith or Redford would do. Either of them would be a good bet to allow the expansion of oil/tar/bitumen sands production into the foreseeable future. The table here lists all the corporations who made donations to both parties, beginning with those involved in petrochemical and energy.
### Corporate support for Tories and Wildrose

#### Petrochemical / Energy

<table>
<thead>
<tr>
<th>Corporations</th>
<th>Amount given to Wildrose</th>
<th>Amount given to Tories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cenovus Energy Inc.</td>
<td>$25,500</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>Enbridge Pipelines Inc.</td>
<td>$5,000</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>EnCana Corporation</td>
<td>$15,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>Ensign Energy Services Inc.</td>
<td>$5,000</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>Marathon Oil Canada Corporation</td>
<td>$5,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>North West Upgrading</td>
<td>$7,000</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>NOVA Chemicals</td>
<td>$12,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>Penn West Petroleum Ltd.</td>
<td>$10,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>Suncor Energy Services Inc.</td>
<td>$7,500</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>Transalta Corporation</td>
<td>$12,500</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>TransCanada Pipelines Limited</td>
<td>$5,000</td>
<td>$375 - $5000</td>
</tr>
</tbody>
</table>

#### Other

<table>
<thead>
<tr>
<th>Corporations</th>
<th>Amount given to Wildrose</th>
<th>Amount given to Tories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axia Supernet Ltd.</td>
<td>$7,500</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>Borden Ladner Gervais LLP</td>
<td>$10,000</td>
<td>$375 - $5000</td>
</tr>
<tr>
<td>Brookfield Residential</td>
<td>$10,000</td>
<td>$375 - $5000</td>
</tr>
<tr>
<td>CANA Construction Co. Ltd.</td>
<td>$15,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>CCS Corporation</td>
<td>$5,000</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>Deloitte Management Services LP</td>
<td>$10,000</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>Don Wheaton Ltd.</td>
<td>$5,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>Maclab Enterprises</td>
<td>$5,000</td>
<td>$375 - $5000</td>
</tr>
<tr>
<td>Prairie Merchant Corporation</td>
<td>$30,000</td>
<td>$375 - $5000</td>
</tr>
<tr>
<td>Ramsay Ranches Inc.</td>
<td>$6,000</td>
<td>$5001 - $10,000</td>
</tr>
<tr>
<td>Shane Homes Ltd.</td>
<td>$5,000</td>
<td>$375 - $5000</td>
</tr>
<tr>
<td>Sherritt International Corporation</td>
<td>$10,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>WAM Development Corporation</td>
<td>$5,000</td>
<td>$10,001 - $30,000</td>
</tr>
<tr>
<td>Witten LLP</td>
<td>$5,000</td>
<td>$375 - $5000</td>
</tr>
</tbody>
</table>

(Wildrose 2012; PC Alberta 2012)
This is an astonishing table. In a certain sense, the rush to the Tories from former Liberal Party supporters and from new voters, represented a kind of “Strategic Voting” – parking votes with the Conservatives in order to stop the accession to office of Wildrose. But behind the scenes, a much more well-funded kind of Strategic Hedging was taking place. Big sections of Corporate Alberta were literally hedging their bets, providing financial support to both the Conservatives and Wildrose. A victory by either would be fine. Under either party, it would be business as usual.

**Conclusion**

The political economy of oil in Alberta and Venezuela, is similar only in the most general sense – oil corporations exert an influence on the trajectory of politics in both geographic areas. However, the contrast in how that influence is exerted is extreme. This is not simply a question of statistics. In the wake of the mass firings of 2003, hundreds of former PDVSA employees have made their way to Alberta, to put the heavy-oil skills developed in Venezuela to use in the bitumen/tar/oil sands of Alberta. One of those is Pereira Almao, and in 2006 he estimated that there were “300 former PDVSA families in each of Calgary, Edmonton and Fort McMurray and more are on the way. Among the biggest employers of Venezuelans are Suncor Energy Inc., Syncrude Canada Ltd., Canadian Natural Resources Ltd. and Jacobs Engineering Group Inc.” (Cattaneo 2006). According to Dr. Almao (who has a Ph.D. from France), “Canada is in a very privileged position because of [Hugo Chavez] ... Canada will expand its marketing of heavy oils and I don’t think Venezuela is going to grow. ... It could be 50 years before you see real activity and real growth in the
Venezuelan oil industry again" (Harding 2006). The irony couldn't be more profound. The issue in the past for Venezuela, in terms of oil, was the way in which oil profits flowed out of the country to the Global North. Chávez has successfully reversed that flow, increasing taxes and royalties to keep the profits in Venezuela, but the price has been a new flow out of the country, the flow into the Global North of talented, trained and experienced professionals. In strict technical terms, the heavy oil in Venezuela is easier to extract than that in Alberta. But corporate interests dictate that it will be Alberta's oil which finds its way to market in greater quantities than will the oil in Venezuela.

This is a graphic illustration of the key difference which underlies a comparative political economy of Venezuela and Alberta. Alberta is situated in the Global North, while Venezuela is situated in the Global South. That "situation" needs to be understood, not in the limited Weberian sense of class, with class being simply a placeholder for "wealth", but rather in the more dynamic manner typical of Marxism, as a question of a complex relationship between classes, and between class and nation. Venezuela's oil economy began as an effect of Great Power and Corporate Oil machinations (the need to punish Mexico, and keep oil development under corporate, Global North control), and then continued until 2002 under the direction of a comprador, state-capitalist elite. The effect was typical of resource development in neo-colonialism – vast wealth removed from the country, with little left behind except pools of stagnation and poverty. That stagnation has been evident for decades. Writing in 1973, Norman Gall documented that "Venezuela and West Germany had roughly the same per capita GNP in 1956. Since then, however, West
Germany's per capita GNP increased from around $650 in 1956 to $1,3000 in 1960 and $53,034 in 1970, while Venezuela’s has remained largely stagnant” (Gall 1973).

By contrast, this paper has documented the dynamic expansion of GDP per capita in Alberta. Alberta, like Canada as a whole, is one of the small number of places in the world which provides a home to the transnational corporations – among them oil corporations – which have extracted so much wealth from countries in the Global South over the years. Oil corporations exert political influence in Alberta. The evidence from the 2012 provincial election makes this absolutely clear. But they do not do so as a “comprador elite” operating in a manner to frustrate capitalist development in Alberta. They do so as full partners with the provincial political elite, focused on establishing a self-sustaining cycle of capitalist accumulation in the province. This reinforces a perspective being developed by a new generation of young Canadian political economists, that Canada’s position in the Global North is also not best understood in the Weberian sense as a static snapshot of wealth, but has to be rooted in the class dynamics of mature capitalism, Canada being a mature capitalist country, actively helping to shape the policies of the Global North, the very policies which oppress and impoverish countries like Venezuela (Two recent examples of this new scholarship are Klassen 2009; Gordon 2010).

This paper is not, of course, the first to attempt to apply the terms class and nation to an analysis of politics in Alberta. Sixty years ago, C.B. Macpherson pioneered such a method in his classic Democracy in Alberta. In his analysis, Alberta’s status was “quasi-colonial”, and he suggested “when these two attributes –
quasi-colonial status and independent producer outlook – are combined in one society during a period of maturing or mature capitalism, we have the conditions for a quasi-party system” (1977, 249). There is nothing quasi-colonial about the Alberta of 2012. It is home to some of the most advanced and sophisticated capitalist corporations on the planet. However, the story just told about Venezuela might very much benefit from an understanding that focuses on its “quasi-colonial” or “neo-colonial” recent past.

This paper has not focused on the deep inequities within Alberta’s boiling mud economy. It has not focused on the question of environmental devastation which accompanies all boiling mud economies. Those questions have been, and will be, taken up by other authors. All that is being said is that the profound differences in the manner by which oil corporations have exerted influence in Venezuela and Alberta, are inexplicable without specifically understanding the two economies very different relationship to the world hierarchy of nations. Hopefully that will be of some use in the ongoing attempt to theorize those economies which seek their fortune through the exploitation of bitumen/tar/oil sands.
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