Prairie Capitalism Revisited: Capital Accumulation and Class Formation in the New West

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Abstract

The principal concern of *Prairie Capitalism* – the 1979 classic work by John Richards and Larry Pratt – was not to critique mainstream Canadian Political Economy (CPE). Nonetheless, the book’s approach was, in fact, a strong challenge to CPE’s then hegemonic dependency-influenced framework. “In our study” they wrote: “we find no confirmation of the thesis that provinces, heavily dependent on the exploitation and sale of staples, are thereby placed in a permanent position of political dependency *vis à vis* external capital”. This put them on an unfortunate collision course with the CPE mainstream. In a quarter-century retrospective on the book, Pratt outlined what happened upon the book’s first publication. At a meeting held at York University they were told they had written “a fundamentally flawed book, a dangerous book”.

This paper will suggest that, from the standpoint of the 21st century, this assessment has to be revised. With Calgary’s emergence as a rival to Toronto and with the parallel and related emergence of an entire Prairie-based ecosystem of Canadian corporate firms – many of them in fact Canadian-based transnational firms – the essential framework advanced in *Prairie Capitalism* has been confirmed. This has sharp implications both for our understanding of the trajectory of Canadian capitalism, and for our assessment of the core tenets of CPE.

This paper is a continuation of research contained in “Boiling Mud: Toward a Comparative Political Economy of Venezuela and Alberta”, forthcoming in Meenal Shrivastava and Lorna Stefanick, eds., *Democracy and Governance in a Global North Oil Economy*.  

1 Thanks to Charles Smith, University of Saskatchewan, for suggesting, at the 2012 CPSA Annual Meeting, the link between *Prairie Capitalism* and some of the research in “Boiling Mud: Towards a comparative political economy of Venezuela and Alberta” (Kellogg, 2012). Some of the ideas in this paper were first sketched out in “Tar Sands: Is Canada a ‘resource colony’?” (Kellogg, 2013).
Introduction

Larry Pratt passed away in 2012, just 68 years old (S. Pratt, 2012). A long time professor of political science at the University of Alberta, he was one of the early authors to take seriously the development of the bitumen sands in Alberta, as evidenced by his first book, *The Tar Sands: Syncrude and the Politics of Oil* (L. Pratt, 1976). This paper will focus on his second book. Co-written with John Richards (who went on to become a senior NDP politician in Saskatchewan) *Prairie Capitalism: Power and Influence in the New West* was, I will argue, years ahead of its time. With the grain, it argued that extractive capitalism would remain a central dynamic of the Canadian economy. Against the grain it argued; a) that the basis for the new era of extractive capitalism was being laid by provincial state action; and that b) this provincial state action (state capitalism) was laying the basis for an indigenous Canadian capitalist class which would be at the heart of “Prairie Capitalism in the New West”. In other words, an emphasis on capital accumulation based upon the extractive industries was not proof in itself of subordinate or dependent development of Canadian capitalism. It was in fact tied up with an independent capital accumulation dynamic centred in Canada and centred on a Canadian capitalist class (Richards & Pratt, 1979). It is on this latter point that this paper will focus.

A Note on Vitriol

There are two preliminary issues which first need addressing. To begin with, it is hard to describe how vitriolic was the response of some to *Prairie Capitalism* on first publication. The book’s thesis amounted to a complete refutation of the hegemonic framework of the school of Canadian Political Economy (CPE). Two of the key premises of classic CPE were: a) that Canada’s industrialization had been that of a dependency, and b) the related claim that capitalism in Canada was dominated by “foreign” (non-resident) capitalism. To the extent there was an independent Canadian capitalist class, it was subordinate, weak, even “comprador” (a term imported from the Global South). This was the political economy framework for an ideology we can call “left nationalist” which was associated with a very specific political project. To challenge capitalism and get to socialism, Canada would first have to become independent and sovereign. We had to break the chains of imperialist (U.S.) domination, as a first step on the road to challenging capitalism.

*Prairie Capitalism*’s publication in 1979 created a tempest in the teapot of left nationalist CPE. “In our study” the authors wrote “we find no confirmation of the thesis that provinces heavily dependent on the exploitation and sale of staples are thereby placed in a permanent position of political dependency *vis à vis* external capital” (1979, p. 8). This put them on a collision course with the CPE mainstream, and in a quarter-century retrospective on the book, Pratt outlined what then transpired. “We got called down to a meeting at York University. Mel Watkins was there and Jim Laxer was there
and Danny Drache was there … The book had just come out, about a month before, and they laid it on the line: it was a fundamentally flawed book, a dangerous book. We had transgressed the party line. I didn’t know whether to laugh or cry” (Cited in Mouat, 2005). The observation that got Richards and Pratt into such trouble in 1979, the observation which created such an emotional storm in left-nationalist circles, was the observation that, in Alberta, there was developing “a nascent regional bourgeoisie of substance and considerable power” (1979, p. 11), a process deeply rooted in the extractive industries in Alberta, particularly those associated with the bitumen sands.

A Note on Terminology
The second preliminary is a terminological one. The issue of control is usually posed as one of “Canadian” versus “foreign”. It was not always so. F.H. Leacy, in his indispensable compilation of Canadian historical statistics, uses the adjective “non-resident” instead of “foreign” (1983). Until 1967 “non-resident” was also the adjective employed by the Corporations and Labour Unions Returns Act (CALURA) in its authoritative annual compilation of key statistics concerning Canadian corporations. So for instance, in its report for 1967, CALURA described as its mandate: “to document the extent and relative significance of non-resident ownership of Canadian industry” (Dominion Bureau of Statistics, 1969, p. 12). Contrast that with the terminology employed one year later (representative of the choice of terminology used every year subsequently): “Foreign ownership of non-financial corporations in Canada increased again in 1968. The proportion of the assets of non-financial operations belonging to foreign-owned corporations … rose by one percentage point” (Dominion Bureau of Statistics, 1970, p. 11, emphasis added).

This shift from “non-resident” to “foreign” is a reflection, in the dry terminology of professional statisticians, of the highly charged Canadian nationalism so prevalent in the late 1960s. The shift is not value neutral – it has an implied political content – “they” are not like “us”. When the “they” refers to U.S. imperialists, then “we” can deploy the term “foreign” and remain progressive. “We” identify “them” as foreign because “they” are oppressing us. But in everyday discourse, the deployment of the term “foreign” reverberates quite differently. In the now more than 10 years since 9/11, it has become clear the extent to which deploying the term “foreign” can be politically and racially charged. We need to take seriously the analysis of Bonnie Honig, ably summarized by Rita Dhamoon and Yasmeen Abu-Laban.

For Honig, foreignness does not merely describe or maintain the subject marked as foreign; it also institutes and reinstitutes markers of national citizenship and belonging. … [D]iscourses of foreignness produce images of the founder, immigrant, and citizen, whether these are positive and negative, or privileging and penalizing images. … [F]oreignness is necessary to nation-building precisely because it is productive in determining which subjects are legitimate and which are illegitimate citizens … Foreignness thus differentiates “us” from those Others who are outside the nation-state … (2009, pp. 166–167).

As well as being less laden with implications, the term “non-resident” is simply more accurate than the term “foreign,” attached as it is to the implied other half of the couplet, the term “Canadian”. Many of the residents of Akwesasne, as an example, do not
self-identify as Canadian. However, they are very much not “foreign,” having roots here thousands of years older than the United Empire Loyalists from my own family tree. In Quebec, a large section of the population feels quite alienated from things Canadian, but are similarly very much not “foreign”. For these reasons, it is the term “non-resident” which will be used in this paper.

Ownership and Control of Oil and Gas in Canada
With this in mind, we can return to the issue at hand – an examination of the thesis, advanced by Pratt and Richards, of the emergence of a nascent regional bourgeoisie around the extractive industries in the Prairies – and the challenge this presented to received notions of Canadian dependency. In the limited space of one paper, the analysis will be restricted to one of the extractive industries – oil and gas – and, after some comments on the situation in the country as a whole, focus on one province – Alberta. These are reasonable restrictions. Prairie Capitalism resonates because of contemporary debates, very much focussed on oil and gas, with Alberta very much at the centre of these debates.

The structure of the paper has been imposed by the nature of the contemporary debate. Very large claims are advanced in this debate, and many of them are, in fact, counter-factual. This requires a heavy reliance on the careful presentation of relevant statistics. Begin with Chart 1, which takes us back to 1954, looking at non-resident ownership of the oil and gas industry (as a percent of capital employed), through to 1970. This chart clearly indicates that non-resident ownership is an important issue which bears examination. In every year in the period examined, more than 60% of the oil and gas industry in Canada was owned and controlled by non-resident corporations and individuals.
But when we extend the lens to 1987, an interesting change begins to happen. There is a steady decline of non-resident control, through the 1960s, through the 1970s and into the 1980s – until in 1986 and 1987, the percentage of non-resident control dips to below 40%. This is clear evidence of a “Canadianization” of the oil and gas industry, the emergence of precisely the “nascent indigenous bourgeoisie” predicted by Pratt and Richards.
However, 1987 was during the era of the Mulroney Tories, and the neoliberal turn of the Canadian state towards an era of “free trade”. The year after this graph ends, 1988, saw the signing of CUFTA (the Canada-U.S. Free Trade Agreement). Six years later, 1994 saw the implementation of NAFTA (the North American Free Trade Agreement). Many analysts recognized the “Canadianization” of the economy through the 1970s and 1980s, but saw it as temporary and contingent. Mel Watkins, in the introduction to the 2002 re-issue of Kari Levitt’s 1960’s classic *Silent Surrender*, said: “we now know that the level of foreign ownership relative to Canadian ownership actually began falling in the 1970s.” But he, like many others, identified CUFTA and NAFTA as turning points. With their implementation, he argued, “[l]evels of foreign ownership in Canada relative to domestic ownership stopped falling and began rising again” (Watkins, 2002, p. xiii). Similarly, Mel Hurtig acknowledged that U.S. control began to decline in the 1970s, but attributed this to the effective policy efforts of Canadian nationalists, in particular the Trudeau-era implementation of the Foreign Investment Review Agency (FIRA). Paralleling Watkins, he argued that levels of U.S. ownership began to increase in the 1990s when FIRA was abandoned and Canada signed onto CUFTA. Sometimes the statistics did not bear out his analysis. There was, for instance, a two year overall decline in levels of U.S. ownership of the economy as a whole in 1998 and 1999. He saw this as an aberration, and that when the figures for 2000 and 2001 came available, we would be able to see that U.S. control of the Canadian economy as again “rapidly increasing” (Hurtig, 2003). You can find similar positions in the writings of Glen Williams (1986, p.
The question of overall levels of U.S. control of the Canadian economy can be set aside for the moment (something that I examine in detail in *Escape from the Staple Trap* (Forthcoming)) For the subset of the Canadian economy being examined here – the oil and gas industry – when the lens is expanded to the 21st century, as in Chart 3, the Watkins, Hurtig, Williams, Laxer, Drache and Clement position seems to be confirmed. There is a gap in the statistics in the 1990s, but when Statistics Canada does resume its count of ownership and control in the oil and gas industry, a sharp upward tick is evident in 2001 and 2002, non-resident control again approaching the 50% mark.

*Chart 3 – Non-resident control of petroleum and natural gas industries, percentage of capital employed, 1954-1987; oil and gas extraction and support activities, percentage of assets, 1999-2002*

(Chart created by the author, compiled from data in Statistics Canada, 2000, 2012)

However, when in Chart 4 we extend the lens to 2010, the most recent year for which we have information, we can see that 2002 was the peak for 21st century non-resident control of the oil and gas industry in Canada. It has declined every year since. By 2010, it sat at just above 30%. Fully, two-thirds of the oil and gas industry in Canada is controlled by Canadian corporations and individuals – “a nascent, indigenous bourgeoisie” to use the terms deployed by Pratt and Richards.
If this is the picture over time, what is the snapshot of the industry at the moment? Calgary-based Peters & Co. has developed a database for country of control in the oil and gas industry, based on the 50 biggest companies in the field, as measured by Barrels of Oil Equivalent production per day (BOE/D) as of September, 2012. Chart 5 takes their figures, their four categories (number of companies, oil production, gas production and then oil and gas production combined) and then divides the universe of companies into four categories – Canadian, non-Canadian (total), non-Canadian (U.S.) and non-Canadian (other than U.S.). The results provide a momentary, one-year snapshot, perfectly consistent with the 66-year Statistics Canada time-series, highlighted above. In all four categories, Canadian corporations have majority control – from a high of 60 percent in terms of the number of companies, to a low of just over 50 percent in terms of natural gas production. The non-Canadian universe of corporations, in each category, is roughly equally divided between U.S. and “other-than-U.S.” companies, each hovering around the 20% mark. The chart’s representation of the figures is called “Scenario I”. 
Chart 4 needs the qualifier “Scenario I” because there is actually another scenario which bears examination. It is arguable that the Peters & Co. presentation of the data understates the presence of Canadian corporations in oil and gas production, excluding as it does, from the Canadian list, two Calgary-based corporations. In spite of being headquartered in Calgary (Bloomberg BusinessWeek, 2012a), Northern Blizard Resources Ltd. is classified as non-Canadian. This will have no noticeable effect on the picture painted here, Northern Blizard, with just 20,000 BOE/D of production, being one of the smallest companies on the list, ranking just 44th. But it is quite a different story when it comes to the other company involved, Husky Energy Inc., the third largest oil and gas producer in Canada, responsible for 314,000 out of the daily total of 5,107,000 BOE/D. Like Northern Blizard, its headquarters are in Calgary, and like Northern Blizard, it is classified, by Peters & Co. as non-Canadian.

Is this categorization justified? It is true that 35.37% of Husky Shares are held by a Barbados based company, and 33.78% by a Luxembourg based company. However both of these companies are in turn controlled by Li Ka-shing and his family (Husky Energy, 2012, p. 4). Li Ka-shing was born in China, is frequently referred to as a “Hong Kong billionaire”. In 2000, “his two main companies, Hutchison Whampoa Ltd. … and property developer Cheung Kong (Holdings) Ltd.” accounted for “about 15% of the market capitalization of Hong Kong Stock Exchange’s main board” (Cattaneo, 2000). But this corporate empire – including Husky – is in large part managed by Li Ka-shing’s
two sons, Victor and Richard Li, both of whom are Canadian citizens (York, 2005). So Canadian are these two, that they ranked a mention in 2003 as two of the three new additions to Canadian Business’s annual list of Canada’s richest individuals (Erwin, 2003). In fact, according to respected Globe and Mail journalist Mark Mackinnon, Li Ka-shing himself is also a Canadian citizen (MacKinnon, 2011). That Mr. Ka-shing would be circumspect about this is not surprising – China does not recognize dual citizenship, and Li Ka-shing has major operations in China. But at the very least, this family which controls Husky Energy has some pretty good credentials as Canadian, as Canadian as many of the other estimated 2.8 million Canadian citizens who some of the time live outside the country (Hoffman, 2010). When – out of the country – Céline Dion sings, Jarome Iginla plays hockey, or Justin Bieber breaks hearts, we don’t question their Canadian bona fides. If we accept the Li Ka-shing family as Canadian, and agree that Husky Energy is Canadian, then oil and gas production in Canada is even more definitively controlled by Canadians, 60% or more in all categories, as shown in Scenario II, represented in Chart 6.

**Chart 6 – Control of Oil and Gas Production in Canada, 2012 – Scenario II**

(Chart created by the author, compiled from data available in Vanderklippe, 2012)

**A resource colony?**

Stephen Brown in 2005 attributed the success of Information Technology innovation and research to Silicon Valley, a place “where hard heads cluster” and “hard facts prevail” (2005). We are exploring a very different field here, but “hard facts” are important in any
investigation, including the one around which this paper is organized. The previous section displayed some “hard facts” about the Canadian nature of an important subsection of the extractive industries in Canada – the oil and gas industry. But heads also contain hegemonic ideas, and hegemony can often be harder than the hardest of facts. We can see this in the political debates surrounding oil and gas in Canada, where again and again, the Canadian nature of the exploitation of oil and gas is downplayed, and the spectre is raised of Canada becoming a “resource colony”. This term is deployed in two ways – to indicate the growing role of extraction-based export in the Canadian economy, feeding areas of industrialization in the world economy. That aspect of the claim will be left to future analyses. The second way it is deployed will be the one focussed on here – an argument which justifies the use of the term “resource colony” through a demonstration of the non-resident control of the resource-extraction industry in Canada.

The term “resource colony” has deep roots in the mainstream of CPE. In 1988, Mel Hurtig used it to describe Canada’s fate should the then Conservative government ratify a free trade deal with the United States (Hurtig, 1988). In 2004, as the Liberal government set about to complete the privatization of PetroCanada, begun under the Conservatives, David Orchard argued that this would “reinforce our status as a resource colony” (Orchard, 2004). There are many, including this author, who have taken issue with this earlier resource colony approach (Carroll & Klassen, 2010; Carroll, 1986; Gordon, 2010; Kellogg, 2005; Richards & Pratt, 1979). But for both advocates and critics, it was taken for granted that Canada’s presumed colonial relationship could only be with the world’s one superpower and its biggest economy, the United States.

Focussing on Canadian subordination to the United States is plausible. The U.S. is widely seen as the centre of empire. No one in the “classic” years of CPE would focus on Canadian subordination to Global South countries such as Brazil or India, even though both countries are home to corporations which have purchased substantial Canadian assets. Within the universe of facts explored to date in this paper, then, the key question emerges – what is the particular nature of U.S. versus Canadian ownership and control in the oil and gas industry?

From 1954 until 1987, Statistics Canada provided a breakdown for the country of control of the petroleum and natural gas industry in Canada, on the basis of percentage of capital employed. Throughout the 1950s and 1960s, Canadian control was quite low – less than 40 percent, while U.S. control at times approached 60 percent, and for much of those decades stayed above 50 percent. Through the 1970s and 1980s however, the situation changed markedly. By 1986, 60% of the industry was in Canadian hands, and U.S. control had sunk below 30 per cent. In 1999, Statistics Canada began a new series. Of the indices used, the one most comparable to the older series is control by percentage of assets. Chart 7 – combining both the earlier and the current series – demonstrates that Canadian control by 2010 was approaching two-thirds, while U.S. control was down to just above 20 percent.
The only conclusion to be drawn from these statistics is that the oil and gas industry in Canada has emerged as one organized around a capital accumulation project centred in Canada. The story of the oil and gas industry in Canada is, in its vast majority, a Canadian capitalist story.

From the U.S. to China

These facts notwithstanding, in the contemporary debate, the term “resource colony” has been retained by many. When it comes to ownership and control, it is not plausible, given the weight of the evidence, to make the U.S. the “other” in this analysis. Today the resource colony argument has morphed from focussing on the U.S. to focussing on China. “Do we have no choice but to become a resource colony of an expansionist totalitarian power?” was the question of a front page editorial in a 2013 edition of the Prince George Free Press (2013, p. 1). This is representative of a widespread discourse, something which Thomas Walkom calls a “fixation on China” (2012). This fixation transcends the political spectrum. During the controversy over a contested trade deal with China, Green Party leader Elizabeth May argued that Canada would end up being the junior partner, trading natural resources in exchange for manufactured goods. “We become the resources colony in that context” she said (Scoffield, 2012). In 2012, the Green Party website “featured the headline ‘Stand up against the sellout to China’” indicating that a pending trade and investment deal between Canada and China
would “turn Canada into a resource colony of the communist regime” (Knox, 2012).
Concerning the same trade and investment deal, Nikki Skuse from ForestEthics
Advocacy claimed that it would mean that “Canada is about to move one step closer to
being a resource colony for China” (2012b). This was the same year that the right wing of
the Harper government was on, what Walkom called, “a warpath against Chinese state-
owned companies that want to invest in Canada” (2012).

**What determines corporate control?**
ForestEthics Advocacy advanced the “resource colony of China” paradigm in a widely
cited 2012 study (De Souza, 2012; DeMelle, 2012; The Canadian Press, 2012; The
Canadian progressive, 2012; Weber, 2012; Wohlberg, 2012). The study insisted that the
key in determining country of control is not the location of corporate headquarters, but
the nationality of shareholders. Since “71 per cent of all tar sands production is owned by
non-Canadian shareholders” it is justifiable to deny that what is going on in the tar sands
is made in Canada, they argued. Some of their facts are incontrovertible. Statoil Canada
is owned by Statoil Norway, Imperial Oil Ltd. is 69.6% owned by Exxon-Mobil in the
United States, Murphy Oil Corp. is headquartered in El Dorado Arkansas (Bloomberg
No one claims that these are Canadian-based corporations. But ForestEthics goes further.
Table 1 lists the top 15 oil and gas producers in Canada as of September2012.
ForestEthics excludes from their Canadian list, not only Husky Energy (as did Peters &
Co.), but extends the exclusion to the two biggest oil and gas producers in Canada,
Canadian Natural Resources Ltd. and Suncor Energy Inc., as well as the seventh biggest,
Cenovus Energy Inc., the 13th biggest, Canadian Oil Sands, and the 33rd biggest, MEG
Energy Corp. (Skuce, 2012a). Only after these corporations have been thus classified as
“foreign” can ForestEthics make its claim about foreign ownership dominating tar sands
exploitation.
<table>
<thead>
<tr>
<th>Country Base</th>
<th>Company</th>
<th>Production (BOE/D)</th>
</tr>
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<tbody>
<tr>
<td>Canada</td>
<td>Canadian Natural Resources Ltd. (1)</td>
<td>546,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Suncor Energy Inc. (2)</td>
<td>470,000</td>
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<tr>
<td>Canada-China</td>
<td>Husky Energy Inc. (3)</td>
<td>314,000</td>
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<tr>
<td>U.K.</td>
<td>Shell Canada Ltd. (4)</td>
<td>297,000</td>
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<tr>
<td>U.S.</td>
<td>ConocoPhilips Canada Resources Corp. (5)</td>
<td>291,000</td>
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<tr>
<td>U.S.</td>
<td>Imperial Oil Ltd. (6)</td>
<td>277,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Cenovus Energy Inc. (7)</td>
<td>255,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Encana Corp. (8)</td>
<td>247,000</td>
</tr>
<tr>
<td>U.S.</td>
<td>Devon Canada Corp. (9)</td>
<td>216,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Penn West Petroleum Ltd. (10)</td>
<td>166,000</td>
</tr>
<tr>
<td>U.S.</td>
<td>Apache Canada Ltd. (11)</td>
<td>135,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Pengrowth Energy Corp. (12)</td>
<td>120,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Canadian Oil Sands Ltd. (13)</td>
<td>106,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Crescent Point Energy Corp. (14)</td>
<td>106,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Talisman Energy Inc. (15)</td>
<td>105,000</td>
</tr>
</tbody>
</table>

(Table created by the author, compiled from data available in Vanderklippe, 2012)

The method by which this has been done – saying that a corporation qualifies as Canadian only when 50% or more of its shares are held by Canadians – is completely wrong, particularly when it comes to the four biggest corporations on the list. The fact that just over 50% of the shares of Canadian Natural Resources, Suncor, Cenovus, and Canadian Oil Sands are held outside of Canada, says very little about who controls these companies. All of them are headquartered in Calgary. None of them are subsidiaries of another corporation (Canadian Natural, 2012; Canadian Oil Sands, 2012; Cenovus, 2012; Suncor, 2012). Further, the issue of a majority of shares being held outside of Canada is by no means decisive. According to a very standard understanding of corporate power, provided by the Organization for Cooperation and Economic Development (OECD), “control of a corporation occurs when a single institutional unit owning more than a half of the shares, or equity, of a corporation is able to control its policy” (2003). In other words, identifying that 50% of the shares of a corporation are owned outside of Canada, would only be significant if those shares were controlled by a single entity. The OECD goes further. “In practice, when ownership of shares is widely diffused among a large number of shareholders, control may be secured by owning 20 per cent or less of total shares”. This is actually fairly basic economics. ForestEthics Advocacy’s “resource
The "colony of China" paradigm is based on a flawed understanding of the way in which control is exercised in the real world of contemporary capitalism. This shift of focus, from the United States to China, involves a very large and very problematic leap. It is a leap which has the effect of obscuring Canada’s ensconced position at the pinnacle of the world economy. The term “colony” is one no one would apply to the other six members of the exclusive G7 group of elite Global North nations to which Canada belongs (those other six being the United States, Japan, Germany, France, the United Kingdom and Italy). It is even more discordant when that term is used to describe Canada’s relationship to China, a country which itself only a few decades ago required a revolution to assert its own sovereignty against Western colonialism, and which, in spite of its recent industrial revolution, remains far poorer than Canada and the other countries of the G7 and the Global North. We have also seen that it is a leap which runs counter to the facts. The oil and gas industry in Canada is in its majority, a Canadian industry.

What about the Bitumen?

The figures to date in this paper have been for total production of all oil and gas in Canada, but without question the contemporary political debate is centred specifically on a subset of this universe: in terms of sector, that portion of the industry based on bitumen sands exploitation; in terms of geography, that portion of bitumen exploitation located in Alberta. Maude Barlow, National Chairperson of the Council of Canadians, speaking November 17, 2012 to a packed Toronto teach-in on the pipelines, articulated a widespread sentiment when she said: “more than two-thirds of the tar sands production is now in foreign hands”. Barlow immediately qualified this statement, saying this “doesn’t mean that it would be fine if it was in Canadian hands” (LeftStreamed, 2012). Others, as we have seen, are not so restrained, ForestEthics used its claim that “the vast majority of tar sands production is not owned by Canadians,” to specifically highlight the growing role of “rising Chinese Investment” and advance the argument that the combination is “positioning Canada as China’s resource colony” (Skuce, 2012a).

A detailed examination of the state of Alberta bitumen extraction in the 21st century shows that here, again, it is the framework of *Prairie Capitalism* which is helpful, and not that of Canada the resource colony. Every three months, the Government of Alberta produces a report on the state of the bitumen extraction industry in the province, providing detailed information on current and planned exploitation of the bitumen sands in that province. Since 2008, the information in that publication has been produced in a consistent format making possible the construction of a statistical profile of the industry along several dimensions, including country of control. Chart 8 takes their report, and uses it to construct a picture of the Alberta bitumen sands industry in 2008 and 2012, organized by the Barrels of Oil Equivalent Per Day (BOE/D) for projects that are currently in production or under construction. There is a noticeable increase from 2008 to 2012 in such production coming from corporations based in Asia – but only because such production was negligible in 2008 (just 10,000 BOE/D). Corporations based in Europe control a noticeable, but not increasing amount of overall production. There has been a tripling of production coming from U.S.-based corporations, but their 2012 figure of 642,000 BOE/D was equal to the amount of production *increase* experienced by Canadian based corporations between 2008 and 2012. Without question it
is the 1.4 million BOE/D capacity of Canadian corporations which dominated the field in 2008, and the 2 million BOE/D capacity which dominated in 2012.

**Chart 8 – Country or region of control: Alberta bitumen sands, BOE/D – Current (Operating and Under Construction), 2008 and 2012**

(Original chart, based on data in Government of Alberta, 2009, 2013)

This only gives a partial insight into the scale of development in the Alberta bitumen sands. Listed in the reports are plans for future development. Chart 9 shows what happens when the categories “Approved, Applied and Announced” are added into the mix of those currently under production or construction. Again, there has been a significant jump in the role of Asian-based corporations – from under 100,000 BOE/D in 2008 to just under one million in 2012. But this hasn’t come at the expense of the share of the industry controlled by Canadian corporations, a share which has risen from five million BOE/D in 2008 to more than six million BOE/D in 2012. Instead, there has been a slight decline in the share of the industry controlled by European-based corporations and only a modest increase for corporations based in the United States. Put another way – in both 2008 and 2012, more than two-thirds (69% in 2008 and 68% in 2012) of current and planned exploitation of the bitumen sands in Alberta comes under the rubric of Canadian-based corporations. The remaining roughly 30% is divided between corporations based in Asia, Europe and the U.S. The distribution of that share is changing (more going to corporations based in Asia, less to those based in Europe), but the overall presence of non-resident corporations is not.

(Original chart, based on data in Government of Alberta, 2009, 2013)

Chart 10 puts names to the top 12 corporations which dominate this process, and indicates their country or regional base. In 2012 three corporations from Canada led all others – Suncor Energy Ltd. with current and planned production capabilities of 1.4 million BOE/D, followed by Cenovus Energy Inc. at 1.1 million and Canadian Natural Resources Limited at just under 800,000. One European corporation made the list (Shell Albian Sands also at around 800,000), one U.S. corporation (Imperial Oil Limited at about 500,000) and two corporations based in China (Dover Operating Corp. and Nexen Inc., both at around 400,000 BOE/D). All the other firms are based in Canada.

There is something missing from this section on the “resource colony” question. Precisely the same discourse exists in the United States. In 2011, Bill McKibben, scholar in residence at Middlebury College in Vermont, bemoaned the fate of: “Proud America, coal-shoveler to the world, a resource colony to feed the Asian industrial machine” (2011). In 2010, “K.C. Golden, policy director of Climate Solutions, a Seattle-based nonprofit group” criticized policies which he saw would make the United States “the resource colony for the development of the Asian economy” (Cited in Feldman, 2010). Understandably, while the use of the analogy is widespread in Canada, it is much less so in the United States. There is a tradition of claiming dependency and resource-export in dependency in Canada, that carries with it the label “left”. It presumes that dependency and reliance on resource exports, subordinates the Canadian economy to Great Powers abroad – in particular to the United States. This creates a door through which left or
progressive discourse can pick up, if mistakenly, the resource colony analysis. Such an approach is, of course, impossible in the United States. However, reflecting for a minute on the absurdity of identifying the world’s biggest economic power and the centre of empire as anyone’s colony might be a worthwhile exercise for any who seek to import such an analogy into the Bitumen sands discourse as it plays out in North America’s other G7 economy – Canada.

**Chart 10 – Top 12 Bitumen Extracting Corporations, BOE/D – Alberta 2012**

(Original chart, based on data in Government of Alberta, 2013)

**Prairie Capitalism Redux**

Pratt and Richards were clearly correct – the principal dynamic in Canada’s extractive industries cannot be presumed to be one driven by non-resident control of those industries. There is a “nascent, regional bourgeoisie”. As of the 21st century, we no longer need the adjective “nascent”.

Although this portion of *Prairie Capitalism*’s analysis became the centre of vitriol and emotion, it was in fact tangential to the book’s main argument. The theme that really was central to their book – the economic impact of state activity – needs extensive treatment in its own right. However, so “sticky” have been counter-factual ideas about the subordinate, dependent nature of Canadian capitalism, that it has taken an entire paper simply to re-affirm this one point – the bitumen sands are not only a capitalist issue, they are a *Canadian* capitalist issue. In this paper, the question of state action in the economy can only be touched on. Pratt and Richards made a real contribution to our understanding
of the role of the state in the capital accumulation project. Their book is a key component of the important CPE literature which has insisted that the state be “brought in” to our understanding of capitalism (See for example Laux & Molot, 1988). Too often we reduce the question of the economy to the actions of the private sector. That is why political scientist is an indispensable partner to economics. It is the discipline of political science which insists that state action is a crucial – and in fact, in spite of neoliberalism, an increasingly crucial aspect of economic development. Who, for instance, could navigate the field of the current economic conjuncture without an analysis of the powerful effects of the U.S. Federal Reserve, the European Central Bank, the Bank of Japan and other such institutions very much part of the state apparatus? The history of Canada is replete with examples of the centrality of state action to the accumulation process. In fact modern Canada would not have emerged without John A. Macdonald’s National Policy and Lord Durham’s successful recommendation to Britain that it grant Responsible Government to its British colonies. Without these two intensely political frames, Canadian capitalism would never have gotten off the ground. *Prairie Capitalism* adds to this literature, identifying the 20th century provincial state as an important shaper of capital accumulation in its own right.

There are *lacunae* in *Prairie Capitalism* of course. No one work can do everything. Pratt and Richards assumed that an activist provincial state would foster industrialization through using “the powers of the state to retard the export of valuable raw materials and their by-products … then upgrade the feedstocks locally through an integrated complex of processing and derivative plants, thereby fostering a viable forward-lined manufacturing industry out of the province’s resource base” (Richards & Pratt, 1979, p. 243). With the advent of neoliberalism in the years since, we know that this simply didn’t happen. Successive provincial governments were more and more prepared to “let the market rule”. Understanding the capitalist development that manifestly has occurred requires more than the “state capitalist” analysis advanced in *Prairie Capitalism*.

Why do the extractive industries provide a cradle for independent capitalist development in Canada, and not, for instance, in Venezuela, a country possessed of exactly the same bitumen sands resource? Why, in other words, does bitumen exploitation allow Calgary to emerge as a modern, developed city, while Caracas to this day is a city of deep poverty and crumbling infrastructure? Capital accumulation does not ever take place on an empty field. It intersects with pre-existing class relations, and an extraordinarily important difference in class structure between Alberta and Venezuela is visible on the land. Venezuela has seen its development frustrated by a powerful, landed class of considerable wealth, resulting in the creation of deep pools of rural poverty. Alberta, by contrast, was established as a province, largely through the efforts of a class that C.B. Macpherson called “independent farm producers”, a class indispensable, historically, in building the foundations of a capitalist home market economy. Pratt and Richards analysis needs to be seen together with this other CPE classic, *Democracy in Alberta* (1977).

Poverty and wealth are not naturally occurring phenomena. They are socially constructed. The development differences between Venezuela and Alberta are deeply embedded in their very different histories, reflected in their very different class structures (A frame of analysis developed in detail in Kellogg, 2012). Venezuela is the only net
importer of food on the South American continent. Its agricultural present has been deeply shaped by its colonial past, where land was distributed to settlers, not as small, independent farmers, but as large estate-owners, with “rights to extract compulsory labour” from the rural poor (Powell, 1971, p. 5). This extremely hierarchical structure of land ownership is reflected in the contemporary situation, where in 2005, 2% of the population owns 60% of agricultural land. Much of this land lies fallow, as its owners have no interest in agricultural production, but rather are holding the land for speculative purposes (Delong-Coha, 2005).

This is the opposite of the history of agriculture in Alberta, a history famously understood as being one of “independent farm producers” (Macpherson, 1977, p. 60). Small producers were at the core of the early 20th century Albertan economy, whereas in Venezuela they were squeezed to the margins. There is a very big literature on the transition to capitalist economic relations in Europe and the United States. Within that controversy, while there are many different points of emphasis, most agree that a factor was the presence (or absence) of the “yeoman farmer” – the independent small producer on the land (Cooper, 1978; Kulikoff, 1989, 1992; Mooers, 1991). There is room for some confusion here. C.B. Macpherson, while building his analysis of Alberta politics around the influence of independent farm producers, did use the term “quasi-colonial” to describe Alberta’s situation, vis-à-vis the central state in Ottawa. But this colonialism was of a very different nature to that of Venezuela. Because it was based on small capitalist producers (independent farmers), it was quite possible to move from small-scale capitalist relations on the land to large-scale capitalist relations in industry. In any case, 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.

But all that is for another paper. This paper has been restricted to a test of the *Prairie Capitalism* thesis of the emergence of a nascent, powerful regional bourgeoisie, and without question we owe a debt to the late Larry Pratt and to John Richards for a truly insightful work, years ahead of its time. They outlined clearly that whatever happens to the bitumen sands, they are our responsibility. We cannot offshore the problem. The ecological damage is damage being done by Canadians. The violation of indigenous sovereignty is a violation perpetrated by Canadians. The mud being boiled is being boiled by Canadians. *Prairie Capitalism* was a pioneering work, helping to provide a framework by which we can develop a meaningful analysis of Canada’s extractive economy in the 21st century.
References


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