

## Culture



# Capital and Economic Development: A Critical Appraisal of the Recommendations of the Mackenzie Valley Pipeline Commission

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Volume 2, Number 3, 1982

URI: <https://id.erudit.org/iderudit/1078108ar>

DOI: <https://doi.org/10.7202/1078108ar>

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### Publisher(s)

Canadian Anthropology Society / Société Canadienne d'Anthropologie (CASCA), formerly/anciennement Canadian Ethnology Society / Société Canadienne d'Ethnologie

### ISSN

0229-009X (print)

2563-710X (digital)

[Explore this journal](#)

### Cite this article

Asch, M. (1982). Capital and Economic Development: A Critical Appraisal of the Recommendations of the Mackenzie Valley Pipeline Commission. *Culture*, 2(3), 3–9. <https://doi.org/10.7202/1078108ar>

### Article abstract

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# Capital and Economic Development : A Critical Appraisal of the Recommendations of the Mackenzie Valley Pipeline Commission

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This paper is intended to examine the impact that Mr. Justice Berger's recommendation on sources of capital would have on the opportunity for the Dene economy to develop along lines which remained consistent with their traditional institutions and values. It argues that Mr. Justice Berger's view that funds should come from Government grants will ultimately have a strong negative impact in this area. An alternative, rejected by Mr. Justice Berger, that funds be obtained through rents and royalties is examined and found to be a better solution, although again fraught with difficulties. In the review a comparison between a staples theory approach as adopted by Mr. Justice Berger and a mode of production approach is made with respect to a theoretical orientation toward understanding the problems inherent in the Dene economy and its potential for development.

*Dans ce texte, nous faisons l'examen des recommandations du juge Berger sur l'origine des capitaux destinés à développer l'économie des Déné. En principe, ces recommandations devraient être basées sur les valeurs traditionnelles des Déné et leurs institutions. Or, l'analyse de ces recommandations, préconisant que l'économie des Déné soit basée sur des subsides gouvernementaux, montre à l'évidence les résultats négatifs qui se feront sentir dans leur territoire. En revanche, une proposition sur l'origine de capitaux à partir de royalties et de redevances locatives est examinée attentivement. Rejetée par le juge Berger en dernière analyse, cette proposition — bien qu'empreinte*

*de difficultés — reste encore la meilleure. Une comparaison entre la théorie dirigiste adoptée par le juge Berger et celle du mode de production domestique permet ensuite d'appréhender l'importance de ce dernier pour le développement et le potentiel économique des Déné.*

To those concerned only with the Mackenzie Valley gas pipeline debate, an article criticizing the findings of Mr. Justice Berger's Mackenzie Valley Gas Pipeline Inquiry (popularly known as the Berger Inquiry) might appear to be trivial or at best of purely academic interest. In fact, nothing could be further from the truth. In finding against the construction of the pipeline in the near future, Justice Berger made specific recommendations for the future development of the Mackenzie River Valley. These recommendations now are finding support among influential Northern researchers, administrators, and government planners. Indeed, it appears that even the Government of the Northwest Territories (which once labelled Berger's report as "racist") is now looking with favour on them. In other words, Berger's findings, far from being only of historic interest, are of extreme

moment for they may well become the blueprint for the economic future of the North. As such, they deserve continued critical scrutiny.

Although it urgently needs doing, a complete critique and appraisal of the Report is beyond the scope of this contribution<sup>1</sup>. Rather, here, I will narrow my focus to one critical issue: the practicality of Berger's recommendations to achieve one goal: the maintenance of the Dene traditional way of life, or as Berger styles it "the native economy" (1978, Vol. I: 122), within the context of a modern northern economy.

To this end, I will first briefly outline Berger's plan for Northern development. Then, after exploring some of the main theoretical bases for this plan, I will proceed to evaluate its usefulness in achieving the stated objective. While I will provide much more detail below, at heart my critique is that Berger's plan is founded upon an improper assessment of the native economy and that this results in his recommending a plan which will have an effect opposite to that which he intends. That is, if faithfully followed, his plan will lead to the destruction of the native economy and its replacement by a renewable resource sector based on the imperatives of the capitalist mode of production. Therefore, his program is not useful and ought to be rejected. Then in my conclusion I will offer an alternative introduced to the Inquiry but rejected by Mr. Justice Berger (1978, Vol. II: 41). It is the plan advanced by the Dene themselves, the nub of which is the demand for political and economic self-determination by northern Natives within Confederation. It is this proposal which I will argue is the only one which stands any chance of success to attain the goal Berger seeks.

### *Berger's plan for northern development*

In the view of the proponents of Mackenzie Valley gas pipeline, the political economy of the Mackenzie River Valley can be described as in a period of transition from a form based on the traditional economic pursuits of hunting, fishing, and trapping to an industrial one based on wage labour and the market. At the moment, their argument goes, there is a "dual economy" in the region. This consists of one "backward" sector which exploits traditional resources and one "modern" one which mainly exploits non-renewable resources. As time goes on, however, the inherent superiority of the rational industrial economy is such that it will inevitably replace the backward and irrational one. The pipeline is merely one further step in that inexorable process.

The view that the "traditional" or "native" economy is virtually moribund and would soon whither away was strongly and successfully refuted by the testimony of expert witnesses speaking on behalf of Native organizations and by Native witnesses themselves. Rather, they showed a viable and dynamic economic sector which still provided much material as well as spiritual sustenance for Native peoples<sup>2</sup>. This was the view of the native economy accepted by Justice Berger and it is his acceptance of this view that forms the basis of his proposal.

Thus, in Volume I, Berger specifically rejects the "dual economy" position and asserts rather that the traditional sector is a viable entity which forms, along with the virtually independent and equally viable "modern" sector, a unity which Berger calls "the mixed economy". The unity of this mixed economy is created by the economic activities of Native people so that:

... in the north today, the lives of many native families are based on an intricate economic mix. At certain times of the year, they hunt and fish; at other times they work for wages, sometimes for government, sometimes on highway construction, sometimes for the oil and gas industry (Berger, 1978, Vol. I: 122).

Further, it is in their ability to synthesize two vastly different economic sectors into a single economic round that Berger finds one unique characteristic of the Native people and of the northern political economy itself (Berger, 1978, Vol. I: 121). And it is to the end of preserving a "mixed economy" with two viable but virtually independent sectors that Berger's proposals on Northern development are dedicated. That is, as he asserts:

The objective of Northern development should be parallel economic sectors — large scale industrial activity where and when appropriate, co-existing with continuing development of the native economy and the renewable resources sector (Berger, 1978, Vol. II: 4).

At the moment, according to Berger, the main problem in the realization of this goal is that the native economy is unable under present economic conditions to provide sufficient capital and employment opportunities for Native people. As a result, many Native people who might not otherwise do so, must seek wage employment outside the native economy. Such a process would be accelerated by the presence of a large-scale non-renewable resource based project such as the proposed Mackenzie Valley gas pipeline and indeed could well completely undermine the native economy. Therefore, Berger urges that the goal of Northern development of at least the next decade should be to strengthen the native economy so that it can compete

successfully with the non-renewable resource-based sector for capital and labour.

To this end Berger specifically recommends the following. First, primary production of renewable resources traditionally associated with the native economy should be modernized and expanded so that production is increased to maximum sustainable yields. Second, to increase employment in the native economy, new industries based on the exploitation of these resources should be created. Among others, these could include fur farming and tanning. Finally, Berger recommends the expansion of the economy into new but allied fields such as tourism (1978, Vol. II: Chapter 2).

Once the infrastructure needed to run such a modernized renewable resource-based economy is in place, Berger believes it will generate enough capital and employment opportunities to compete successfully for native labour with the job opportunities available on major one-time non-renewable resource-based projects such as the proposed Mackenzie Valley gas pipeline. In other words, at this point a strong and independent native economy will have been constructed and thus Berger's main development objective will have been realized.

Of course, before such an infrastructure can be created, much capital will be required. This capital, Native organizations argue, could come from rents, royalties, taxes, and other monies generated by non-renewable resource activities on their lands. However, Berger specifically rejected this idea and instead proposed that:

Until the renewable resource-based sector in the north is able to generate its own capital, government could make funds available as a matter of public policy pursuant to such programs as the Western Northlands, established under the Department of Regional Economic Expansion (DREE), or pursuant to the Agriculture Rural Development Act (ARDA) (Berger, 1978, Vol. II: 41).

At the heart of the matter it is Berger's position on this crucial point that is at issue.

### *Critique of Berger's program*

Broadly speaking, I am in complete agreement with Justice Berger's characterization of the contemporary "native economy". That is, I would assert that it is viable but weak. Furthermore, we both agree that a basic goal of Northern development must be the strengthening of that economy. Where we disagree fundamentally is on the remedies necessary to attain that goal. Ultimately, the basis for this disagreement can be found to lie in our theoretical stance in general and in particular how we each would define "economy".

To Berger, an economy is defined primarily on

the basis of the technical factors of production. Of these, the most important to him are the productive processes associated with the exploitation of a particular staple. In this, Berger is following his own reading of Harold Innis' *Staples Theory* and especially the following passage from *Empire and Communication* (1950) cited in his text:

Concentration on the production of staples for export to more highly industrialized areas in Europe and later in the United States had broad implications for the Canadian economic, political, and social structure. Each staple in turn left its stamp, and the shift to new staples invariably produced periods of crises in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple (Berger, 1978, Vol. I: 117).

Using this framework, Berger defines the "native economy" as a unified entity for it consists of a complementary set of small scale productive activities oriented around certain traditional bush staples. The weakness in this economy today, then, is attributed to the stamp of a new staple (oil, gas and minerals) on the lives of Native people and the period of crisis and adjustment which must inevitably accompany it (Berger, 1978, Vol. I: 118). This crisis is reflected in the relative lack of capital and job opportunities in the native economy vis-à-vis the sector devoted to the exploitation of the newly dominant staple. The problem and the solution, then, to Berger is attributable to technical factors alone.

In my estimation, Berger is partially correct in this analysis, for, indeed, the lack of capital and job opportunities are significant reasons for the weakness of the "native economy". Yet, this analysis is incomplete for there are urgent social and political problems tied directly to the technical ones which must be attended to with equal urgency. These can easily be seen if we switch our conceptual framework away from Berger's so as to include within our definition of economy the institutional framework of production: that is, if we move from a "staples approach" to a "mode of production" one (Asch, 1979a).

Although when examined from Berger's perspective the native economy can be defined as a unity, when institutional parameters are added, such is no longer the case. Rather, what emerges is that contained within the native economy are two modes of production.

On the one hand, there is what I have called the bush subsistence mode of production (Asch, 1979b). From it, the Dene provide for themselves through locally produced and finished goods many of their subsistence needs. This is done within a framework

in which co-operative labour, collective economic responsibility, communal land tenure and the mutual sharing of surpluses are valued and institutionalized. It is a mode, it must be emphasized, which is not used to produce cash.

To obtain cash and/or trade goods, Native people participate in another mode of production : capitalism. During the fur trade era, they did this primarily in the role of small-scale commodity producers who, like the family farmer, traded a cash crop for essential goods produced by the industrialized world. Through this involvement with the fur trade Native people came into contact with the institutional framework of capitalism with its attendant institutions and values that stress private ownership of property, individual accumulation of goods, and individual economic responsibility.

In the fur trade era, the economy operated on the ground in such a manner that the capitalist institutional framework remained subordinate in the daily life of the Dene, so that they lived primarily under the influence of institutions and values associated with the traditional bush subsistence mode of production. How this was achieved is an important concern which I describe elsewhere (Asch, 1979b). However, the important point here is that with the collapse of fur prices and the concomitant inflation in the price of trade goods in the period since the end of the second World War, Native people have had to seek cash from sources other than furs. This has resulted in a very marked increase in the impingement of capitalist institutions and values on their daily lives.

That this is the case for those for whom wage labour has become the principal means of obtaining cash should be self-evident. However, for most Native people cash income is still not derived in this way. Rather, it comes in forms such as transfer payments which do not require labour input. Yet, it does not follow that such income is therefore free from the influence of capitalist values and institutions. Indeed, rather the contrary is the case. As in other capitalist transactions, these payments are made directly to individuals or nuclear family heads. Thus, they emphasize the separateness of these units and individualize ownership of property. As a result, these payments conflict with those institutions and values generated by the traditional mode of production in which emphasis is placed on the community as an indivisible economic unit and on the collectivity of property ownership. The case is particularly striking with respect to welfare. The payment of welfare to individuals and nuclear families isolated poverty and created a division between "rich" and "poor". Thus, it not only

relieves the community of its traditional responsibility to share mutually, it actually provides the context for the penetration of its anti-thetical tendency, characteristic of the capitalist mode of production : social differentiation based on relative wealth.

In other words the weakness in the native economy today is not merely that it lacks capital and job opportunities but equally that its traditional institutions and values are being eroded by the very means Native people must use to obtain essential cash. Today, the bush subsistence mode is still dominant in the daily lives of most Native people but, even without the presence of large-scale non-renewable resource developments, is steadily losing this position as the need for cash drives Native people further and further into the institutional sphere of capitalism.

Thus, in order for Northern development to work, what is required is that the program adopted not only provide capital and jobs for the native economy, but that it does so in such a way that the impact of capitalist institutions decreases in the daily lives of Native people. Berger's plan, then, is inadequate because he fails to attend to this very real concern. As a result, it can be expected that if his plan is adopted, traditional institutions and values will continue to lose their dominant place in the life of Native people. Furthermore, Berger's program itself may well act to accelerate the pace of erosion. Large-scale government grants, it should be clear, differ little from small-scale ones such as transfer payments in their institutional implications, that is, like small-scale ones, they were formulated within an economic context that assumes the institutions and values of capitalism. In the case of large grants such as those made by DREE, this fact will be reflected in the very assumptions upon which grants are given : assumptions such as, that the grantee follow "standard business practices" or that the operation will be constructed so that it will ultimately show a "profit". As a result, it is not hard to imagine that in order to obtain funding Native people will be forced to develop their renewable resources within a capitalist institutional framework. In other words, in the process of developing it, Native people may well be forced to transform the native economy into a renewable resource sector of the local capitalist economy : a result which is anti-thetical to Berger's own stated objective.

### *Application to the Dene*

The problem, then, of Northern development is to provide sufficient capital to create an infra-

structure for a modern renewable resource economy in a manner that promotes traditional institutions and values rather than capitalist ones. Such a problem admits of no easy or certain solution. In fact, in my opinion, there is only one approach which stands any chance of success. It is the proposal presented to the Berger Inquiry by the Native Northerners themselves : the power to determine for themselves their political and economic future within Confederation, including, among other powers, the right to control and tax all economic developments undertaken in the traditional homelands of these people.

The advantages of such a solution are two-fold. In the first place, it is a practical means for raising capital sufficient to meet all the economic needs of Native Northerners. For example, as Dr. Arvin Jelliss pointed out in evidence presented to the Inquiry (Jelliss, 1977), proper and equitably taxation of non-renewable resource operations now in place on Dene lands alone would yield a sum of approximately \$51 million per annum (in 1974 dollars). Such an income provided each year would easily provide the Dene with sufficient capital to service their total trade good needs, to develop within perhaps a decade the infrastructure necessary to operate the kind of economy outlined by Berger, and to provide a cash cushion to secure the long-term sustained operation of this economy (Asch, 1979b).

Secondly, this form of capital accumulation attends well to the problem of the continued penetration of capitalist institutions. To begin with, it does not require that Native people participate in their daily lives or even orient any of their economic activities to capitalist institutions, for cash is generated without labour input. Furthermore, unlike government grants, these funds will be controlled and administered solely by Native people. Thus, provided the Native people can create such a development plant, these funds could easily be dispersed in a manner which promotes institutions and values of the bush subsistence mode of production. Finally, it is important to note that capital generated in this manner would be controlled by the Native community as a whole and thus would remain consistent with their traditional framework which emphasized communal ownership of resources.

This, of course, is not to say that the solution proposed by the Native people is perfect, far from it. Indeed, there are many major problems associated with it. Among these are the following :

First, and perhaps most importantly, given the contemporary political situation in this country and

particularly the specific rejection of this proposal by the Federal Government, it is highly unlikely that such powers could be quickly or easily obtained.

Furthermore, even if these powers were granted, there is no certainty that a modern resource economy based on traditional institutions and values could be constructed. For example, it may not be possible to maintain a traditional form of egalitarianism as the division of labour shifts from its simple form in which everyone does just about the same thing, as is characteristic of the bush subsistence mode of production to a complex form with a high degree of specialization which modernization would entail. As well, the process of development itself may lead to class divisions as some Native people gain the sophisticated knowledge necessary to oversee non-renewable resource industries and thus become alienated from the life-style of other Native Northerners.

Finally there is the ever present danger that the form of articulation with capitalist institutions envisioned in this proposal may itself act to undermine the ultimate goal. For example, it is a fact that the renewable resource sector will be dependent for a time for its capital on an economic component that is not necessarily compatible with it. As a result, Native people may be manoeuvred into a situation where their long-term objectives must be sacrificed in the interests of obtaining immediate capital. This concern is particularly real in the North for the industry with which Native Northerners must negotiate is, to say the least, not known for its sensitivity to the environmental and economic interests of local inhabitants. Also, there is the ever-present concern that, when confronted with the option, Native people may voluntarily choose short-term cash benefits rather than forego these gains to create the capital base necessary to construct the kind of economy they say they want and thus to ensure in the process that such an economy is never built.

In the past year, these issues have started to come into sharper focus among the Dene. This is due in the main to the Government of Canada's approval for the construction of a \$20 million oil pipeline south along the Mackenzie River Valley from Norman Wells and the restart of negotiations over the outstanding aboriginal rights claim.

The Dene have responded to the challenges by beginning to flush out in much more detail how their institutional arrangements might be adapted to a modern policy and economy. To date, most of the work has been undertaken in the political area. It has resulted in a proposal known as *Denendeh* which calls for consensus government in the Valley based on a traditional band model which nonethe-

less allows within its domain provision for non-Native active participants (as equal band members) in the decision-making process once they have learned Dene culture (Dene Nation, 1981).

Although less work has been done in the economic area, it is significant to note that the Dene have not limited their concerns in this area to obtaining capital alone. Rather, Dene groups at both the National and local levels have started to work on how they might shape economic institutions in a manner consistent with decision-making principles found in the *Denendeh* document. In particular, interest is being shown in the area of ascertaining how a Dene controlled enterprise might handle such issues as hiring, firing, wages, profits, management-labour relations, and the relationship of such enterprises to the community they serve.

Clearly, to create such an institutional setting will be a long process. However the fact that it is being worked on seems a clear indication that the Dene are seriously considering the option that will maximize the chance that their way of decision-making and their value orientation will not be lost as development begins in earnest.

### *Conclusions*

The nub of the problem for renewable resource development in the North is two-fold. First, it is necessary to find large sources of capital to fund the new infrastructure essential to the economic well-being of the sector. Second, is to find a source of funds which allow maximum flexibility for the Native group to promote in the development of this infrastructure the kinds of traditional institutions and values they wish to assert.

At the Berger hearings two proposals for obtaining these funds were put forward. The first, initiated by the Dene, called for a method which relied on obtaining rents and royalties on lands recognized under their jurisdiction. It is a solution which is rejected explicitly by Mr. Justice Berger when he states :

The various native claims proposals include provisions for the transfer of capital to native control, chiefly through royalties on non-renewable resource development. Evidence from Alaska suggests that this is not without problems: it can create rather than reduce dependence on externally controlled development. Capital transfers will not, in themselves, assure the appropriate financing of renewable resource development unless specific provisions for that purpose are incorporated in native claims settlements (Berger, 1978, Vol. II : 42).

In short, he rejects it for he fears that the Dene may

not be able to withstand pressures to use the funds for other purposes.

As an alternative, Berger proposes the second possibility: that the Dene and other northern Native groups obtain funding through Federal Government grants. This solution, I have argued here, must be rejected on the grounds that such funding carries with it a set of capitalist institutional appendages which will inexorably lead the native economy away from a traditional institutional and value framework. Failure to discuss this potential eventuality I traced in part to Mr. Justice Berger's adopting the staples theory as his analytic stance.

For myself, I see no third option. On the other hand, the capital can come directly from government either in the form suggested by Berger or through direct cash payments as in the case of the James Bay corporations. Or, on the other hand, it must come indirectly as through rents and royalties on lands controlled by the Native society. I share with Justice Berger the concern that the latter option may well prove problematic as the opportunity to obtain these funds and hence use them to other ends becomes more real. It is a concern which I believe remains valid, but should be tempered by the experience of the past year.

At heart, though, there is no other option. Rents and royalties may provide temptations, but they are better than any other form of potential cash flow in that : 1) they come in a form which is "collective" ; 2) they do not require significant labour input ; and 3) they are obtained on a continuing rather than a one-time basis. Each of these, I have argued, is a prerequisite if the form capital takes is to allow maximum flexibility to initiate institutional innovations. It is for these reasons that I believe it is necessary to conclude that only the kind of proposal which the Dene have put forward offers any practical hope to ensure that a native economy consistent with Dene traditional institutions and values can become a reality.

### *NOTES*

1. An earlier version of this paper was presented to the Second International Conference on Hunting-Gathering Societies, Québec City, September, 1980.

2. This view has recently been supported by induring experts at the hearings into the Norman Wells pipeline application.

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