

Economic Structures and Cultural Continuity: A Consideration of Monopoly Control in the Eskimo Arts and Crafts Industry

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RÉSUMÉ

Le fonctionnement de *Canadian Arctic Producers* est analysé à deux niveaux: a) celui des conséquences politiques et sociales des structures de la compagnie, b) celui des relations internes entre les éléments qui composent sa structure opérationnelle. Le succès de la compagnie dans l'avenir et la survie de la culture esquimaude sont analysés en termes de leur niche culturelle, de la capacité adaptative de la compagnie aux variations du marché et du contrôle de la production sur la base des ressources. La position soutenue est qu'un système de contrôle monopolisateur de l'industrie assurerait une certaine continuité dans la culture esquimaude et dans la structure de leurs valeurs.

INTRODUCTION

Canadian Arctic Producers (C.A.P.) has grown from a \$60,000 sales operation in 1965 to a \$1¼ million dollar turnover in 1971 and is expected to gross double that figure within the next three years. It deals with over thirty producing communities in Canada's Arctic and while its main retail outlet is still in Canada, seven hundred dealers in eleven countries handle the company's products.

The corporate origins of C.A.P. began in 1965 under the sponsorship of the federal Department of Indian and Northern

Affairs and the Co-operative Union of Canada. The intent was to establish a central marketing outlet for northern arts and crafts products and to ensure, over the long term, that the producers became owners of the company. Until 1970 the company operated on limited capital and in terms of a commission basis, which produced delays in payment to the producers until the merchandise had been sold in retail outlets, and also curtailed the operating capital available to northern producer communities. To overcome these difficulties, of delayed payments and limited operating capital, the company became capitalized in 1970 through the federal government's purchase of 400,000 \$1. shares in the company and the provision of loan facilities for a further \$250,000. This permitted C.A.P. to pay cash on delivery of products and to speed up payment to producers, ensuring that the producers had sufficient operating capital to increase their production.

At the time of this capitalization a new structure of the company was devised in that the producer communities could receive shares in the form of dividends from the profits of the company. The amount of dividend due to any producing unit was calculated in terms of the amount of their marketing through C.A.P. in the previous year.

In addition to the government appointed board of directors and a managing director responsible to this board, provision was made for increased representation of northern producers on the board of C.A.P. Once the producing communities own 51% of the shares they will then take over the control and ownership of the company and appoint the entire board. Until that time the federal government has appointed two trustees (Commissioner of the North West Territories, and Deputy Minister of the Department of National Revenue), who exercise general control of the company until it becomes the property of the northern producers.

This paper examines the operation of Canadian Arctic Producers (C.A.P.) in terms of (a) the wider political and social consequences of the company's structure and (b) the internal relations between the components that constitute C.A.P.'s working structure. The focus is on the weaknesses rather than the strengths of the organization as the success of the company to date would appear to speak for the latter set of considerations.

STRUCTURES AND CONSEQUENCES

An important consideration with regard to development contingencies in the Arctic (indeed anywhere) is to critically appraise the direct and indirect consequences of associated structures. In this regard C.A.P. itself has to be examined. The structure of C.A.P. as a transferable corporation has direct implications for (a) Eskimo control re access to the boardroom and decision making powers and (b) Eskimo ownership re issue of shares to producer communities on a patronage basis. This corporate structure — intended to give Eskimo control over a unique resource — has a number of problems when one considers indirect implications of C.A.P.'s structure for the continuity of Eskimo culture.

If one takes as an initial given the fact that structures have consequences on the domain of human action, it then follows that different structures in different environments have different problems to solve in order to maintain continuity in values and norms over time. The corporate structure of C.A.P. is designed to bring about a system of producer control in the Eskimo arts and crafts industry. This system of producer control is being established by an organization that relies on an alternative structure — that of industrial capitalism. The danger is that the continued success of C.A.P. as an industrial enterprise may bring about the erosion of the system of producer control it is beginning to establish. The success of C.A.P. rests on the success of the capitalist ethic, which is antithetical to a system of producer control of enterprise unless a number of conditions are built into the situation. It will be argued that the conditions minimally necessary are a separate niche within the wider economy, and producer control over the exploited resource base.

A system of producer control can only be maintained (a) in a socialist state (which Canada is not) or (b) in situations whereby the producing community occupies a "niche" separate from a structure of industrial capitalism (that characterises Canada's economic base) and exercises control over its own resource base. The concept of niche implies that two or more cultures can enter into a balanced symbiosis whereby each preserves its cultural identity, providing they occupy non-competitive niches. In other

words if one expects the Eskimo to compete in the same niche and on the same terms as the rest of Canada, one is expecting him to adopt a set of values consistent with Southern Canadian norms, and furthermore one expects an eradication of Eskimo culture and structure of values.

If one proceeds with the assumption that there is a great deal of value worth preserving in Eskimo culture, then it follows that development plans and contingencies *must* be informed by considerations of non-competing niches. The very rapid erosion of Eskimo values and the attendant symptoms of a culture in transition — alcoholism, mental illness, religious revivals, etc. — are direct consequences of the demands and properties of the system of industrial capitalism that regulates Canadian affairs. It is pointless for well intentioned observers and industrialists to bemoan this erosion of Eskimo culture, as they are in fact the indirect causes of it. There is the very real danger that the continued success of C.A.P. may contain the seeds of further inroads for Eskimo culture, unless either its structure or its present environment of operations is changed. As it is not foreseeable that the structure can be improved, given the present political and social context, it is necessary to divert attention to the possibilities of changing the operational environment.

The point to be made is that if C.A.P. in its enterprise can successfully retain a discrete niche for local Eskimo economies within Canada's national economy, then there is a possibility of continuity in what is left of Eskimo culture and structure of values. Without this safeguard the Eskimo will simply provide material for a new substratum in Canadian society that development in the MacKenzie Delta bears adequate testimony to. In the MacKenzie Delta and other parts of the West Arctic, geographic isolation was an insufficient safeguard for cultural identity. The capitalist ethic of industrial concerns and short sightedness of government concerns did not provide any consistent or familiar set of norms by which Eskimo communities could assert themselves. This results in "anomie" or normlessness, and is an unfortunate but inevitable feature of cultures in transition from one set of norms to another.

This situation *could* be avoided in the E. Arctic given due consideration for a) causes of cultural erosion and b) implications

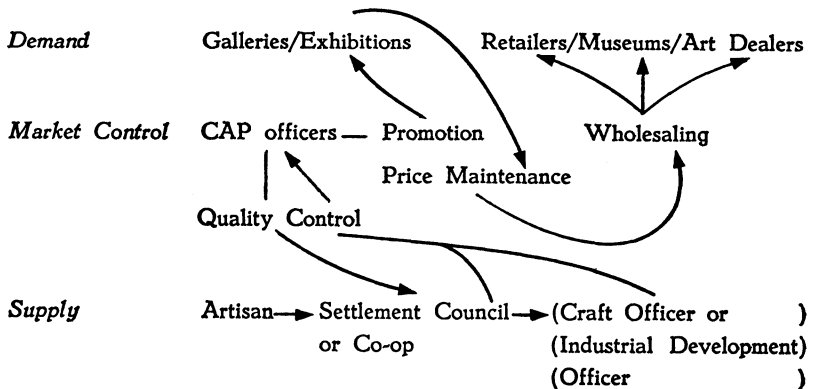
of consequences of non-competing niches. There are sufficient documented instances of the course followed by cultures in transition that our sociological knowledge on niches, cultural identity and competition can be translated into political and bureaucratic action whereby cultures can be maintained.

ORGANIZATIONAL CONSTRAINTS

A more specific analysis of C.A.P. as an organization requires that it be broken down into its component parts and subsystems, and be discussed in terms of the way the subsystems interrelate with regard to flow of information, and adaptive capacity to changes in market conditions. If we consider the following components — retailers, board of C.A.P., President, galleries, settlement co-ops, artisans; and the following problems — promotion, market control and price maintenance, diversification, public relations and training — it may be easier to pinpoint the bottlenecks in the organization's internal structure.

The linkages between factors of supply, demand and market control are represented in simplified form in the diagram below.

Figure I: Simplified Flow Diagram of C.A.P.'s Internal Structure



The point to note, given the vast geography that separates market from supply, is that all kinds of bottlenecks, misinformation,

flow blockages, etc. are possible at each link in the flow system. Unless the linkages can be firmly established as the free flow of information, revenue and products the organization as a total system would *not* be able to adapt very quickly to changes in market conditions. The structure would appear to be best designed for a controlled marketing situation which at present is not the case.

Market Control

As a marketing agency C.A.P. has a great many constraints operating on it in terms of market anticipation and control and also in terms of reliability of producers and competition from free lance dealers. Although C.A.P.'s frame of reference is first and foremost defined in terms of local Eskimo economies — it does have a number of disadvantages in terms of its centralized buying structure. Unless a company official or representative is on the spot, as it were, immediate payments for products is not always possible. C.A.P.'s policy is to pay the optimum price on goods and frequently increases the amount it will pay on any consignment. This intervening evaluation process takes time. This is no competition for a dealer who goes into a community, negotiates rock bottom prices and pays cash on the spot.

Considering the economic marginality of most Eskimo communities this short term consideration in many instances is preferable to long term payoffs, despite the fact that C.A.P. pays higher prices. It would seem that a more permanent and visible C.A.P. "presence" in the settlements both in terms of buying and education is required.

In terms of conditions of supply and monopoly, craft officers in the Northwest Territories have as part of their job definition to ensure a supply of products only to C.A.P. — but C.A.P. is frequently bypassed for reasons as varied as ignorance to bureaucratic jealousy. With a monopoly C.A.P. would be able to manipulate market conditions and the lack of cohesion between its component parts would not then constitute such a great obstacle to adaption to changes in market conditions. A monopoly (or near monopoly) would permit maintenance of quality products,

creation of artificial scarcities and price maintenance. However there is not a monopoly — private dealers can and do bring the market and prices down by cheap promotion and furthermore profits are not returned to the producers.

A selective use of the market and choice of outlets can produce conditions of artificial scarcity which necessarily increase prices. C.A.P.'s business interests are constituted in terms of maintaining a high and viable (through time) return to the producer. Free lance dealers, by definition, have only their own interests to consider. They are going to buy cheap and sell dear often without any regard to the long term prospects of Eskimo products in the international art market.

It would appear that for C.A.P. to provide the separate niche required for Eskimo culture to continue through time, then some legislative action is required to cut out or radically curb the independent dealers. Though competition in most enterprises is conducive to increase efficiency, the problem re the continuity of Eskimo culture is so pressing and desperate that perhaps a monopoly situation could be justified. This monopoly may provide the "niche" and control over a resource base discussed earlier in this paper.

Public Relations

While public relations between C.A.P.'s officers and retail and promotional outlets are extremely good, the relation between C.A.P. and producing communities in many instances suffers from an educational gap. The very rapid growth of C.A.P. has been primarily associated with a small number of communities producing a large proportion of the total products e.g. Cape Dorset and Pelly Bay. This may obscure a very definite educational lag which exists between C.A.P. and many other producing communities. The structure of C.A.P. as a transferable corporation first to Eskimo control and then ownership, involving considerations of shares, dividends, patronage basis for appointment of directors, etc. is a difficult and complicated set of elements to put across. To rely solely on verbal communication does not ensure that the "message" will be fully understood.

Repeated reinforcements — verbal, visual, animation — are required to fill in the educational gap that exists between the company's intentions and the artisan's comprehension of his part in it. Perhaps a short film — animated, using Eskimo characters and language, which explained the structure of C.A.P. and pointed out the disadvantages of dealing with other traders would be useful. Though films have been talked of for several years at C.A.P. — that there has not been a film produced would indicate that the company's rapid growth has led to certain neglect of vital educational tasks that the company has to overcome to ensure further sustained growth. I would stress that the major priority at this stage of C.A.P.'s development is that of educating the producers as to why C.A.P. works to their advantage.

Training

It may be in the interests of C.A.P. to use existing Eskimo skills in terms of transferring it to other communities. For example, Pelly Bay people are renowned carvers of ivory and antler — producing exquisite and delicate jewellery and carvings, — as there was very little soapstone or whalebone in the area. Now that the latter commodities could be imported the carvers found that they could not make the technical and "feel" leap to working in what to them appeared to be mammoth proportions. Eskimo sculptors versed in the required techniques could be brought in from other communities to teach them. C.A.P. could possibly use its own funds or co-ordinate grants from Manpower, State Secretary and Northern Affairs Departments to facilitate this type of training.

The most pressing consideration re training lies in anticipation of the final implications of C.A.P.'s structure. What happens when the boardroom and financial control of the company passes to the Eskimo producers? Will they be encouraged to hire a business director in a manner similar to the example of Cape Dorset, will there be any government watchdog, or will those presently concerned with the company be prepared to take the risk and leave the future operation of the company in Eskimo hands? Not to do the latter with all the attendant uncertainties would seem to defeat the initial purpose of C.A.P.

Expansion

It has been argued earlier that C.A.P.'s structure seems to be best suited to a situation of market control. At present the economic reality is not capable of the amount of control of the market that C.A.P. needs, in order to prevent its poor linkages between artisan and company subsystems obtruding as a major obstacle. This implies that the company is not highly adaptive to rapid changes in market conditions. This situation can be altered by (a) ensuring monopoly control by C.A.P. and (b) improving communications and linkages between production level and co-ordinating level. The latter alternative is necessary whatever the circumstance while the former is required if a separate niche for Eskimo culture is to be granted priority consideration.

The present range of products covered by C.A.P. include prints, stationary, garments, craftwork and sculpting. This is too undiversified a base for continued viability of the company over time. Expansion of C.A.P.'s mandate and structure to gourmet foods and tourism would create a political possibility for wider Eskimo control over their own resources and economies, and would make sound economic sense as a potential tourist boom is imminent in the Arctic.

CONCLUSION

Many parts of the company's operations have not been considered here. The author has considered it more useful to concentrate on the weaknesses of the company rather than the strengths. Under certain conditions of the market the company's structure is very sound; under other conditions — of competition and undersupply — C.A.P. is not highly adaptive. The main point to be made is that as a particular kind of economic and bureaucratic structure there are a series of political and social constraints which determine (a) the continued success of C.A.P. and (b) the continued existence of Eskimo culture.

Given the constraints of geography and the current political and social situation in Canada it is unlikely that the present structure of C.A.P. can be improved in any way in terms of the

interests of the producers it serves. However, it has been pointed out that this structure is not highly adaptive to conditions of competition, market uncertainty and undersupply. This implies by elimination, that the only major variable that can be altered is the environment in which C.A.P. operates. Due regard to the argument made with respect to niche and cultural continuity requires political and legislative action to ensue a monopoly for C.A.P. This "nationalization" of the arctic arts and crafts industry *would* alter the company's operational environment and provide it with a more viable economic base. The implications of this however, are beyond considerations of market control and eradication of commercial competitions — it would ensure the Eskimo of at least some control over a set of unique resources, and perhaps provide the opportunity for some Eskimo values and structures to persist in the next generation.

In the transitional state that Eskimo culture presently finds itself, there is virtually no way back to a traditional mode of life and its attendant set of values and structures. At present the forces and contingencies that bear upon Eskimo culture from the rest of Canada appear to be accelerating the likelihood of Eskimos occupying ghettos in Arctic urban areas and constituting the lowest economic and social rung in Canadian society.

The importance of C.A.P. is that it has been established in an attempt to reverse this trend. The argument made here is that, consideration of cultural niche and resource base in terms of monopoly control would enhance the likelihood of C.A.P. achieving both its economic and cultural priorities.