

THE NEW
CANADIAN
POLITICAL
ECONOMY

EDITED BY
WALLACE
CLEMMENT
AND GLEN
WILLIAMS

The New Canadian Political Economy

Edited by
Wallace Clement and Glen Williams

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The New Canadian Political Economy

The revival of political economy as an important area of research in Canada began in the early 1970s with the publication of Kari Levitt's *Silent Surrender*. In 1976 it was launched in earnest by the first session on Canadian political economy at the meetings of the Canadian Learned Societies in Quebec City. While many academics now classify themselves as political economists, until *The New Canadian Political Economy* there has not been any attempt to systematically survey, review, and assess the scores of books and articles which can now be classified as belonging in this field.

Wallace Clement and Glen Williams have ensured that all areas of the field are discussed, with chapters on the state, resources, industrialization, provinces and regions, labour, gender, Quebec culture, race and ethnicity, the legal system, capital formation, and Canada's position in international political economy. The editors' introduction defines the field of political economy in the 1980s by comparing it to traditional studies of Innis and others and evaluates the strengths and weaknesses of the new approach.

Clement and Williams believe that studies in political economy are now at a crossroads. *The New Canadian Political Economy* suggests important new directions for continued study.

WALLACE CLEMENT is a member of the Department of Sociology and Anthropology, Carleton University.

GLEN WILLIAMS is a member of the Department of Political Science, Carleton University.

Acknowledgments

The editors wish most of all to acknowledge the contributors to this volume. This book developed out of our desire to consolidate the new Canadian political economy so that it can move ahead. In undertaking this task, we consciously approached a diverse cross-section of contributors. This strategy proved particularly effective at a writers' workshop that we organized early in this project, where each contributor outlined his or her chapter and received comments and suggestions from the others. This book is stronger because of that process of supportive cross-fertilization. We readily acknowledge that we have not covered everything: we claim only a significant step in the right direction.

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Wallace Clement and Glen Williams
Ottawa

Contributors

Frances Abele
School of Public Administration
Carleton University

Gregory Albo
Department of Political Science
Carleton University •

Isabella Bakker
Department of Political Science
York University

Amy Bartholomew
Department of Law
Carleton University

Susan Boyd
Department of Law
Carleton University

Neil Bradford
Department of Political Science
Carleton University

Janine Brodie
Department of Political Science
York University

Wallace Clement
Department of Sociology and
Anthropology
Carleton University

William D. Coleman
Department of Political Science
McMaster University

Jane Jenson
Department of Political Science
Carleton University

Ted Magder
Department of Political Science
Wilfrid Laurier University

Paul Phillips
Department of Economics
University of Manitoba

Daiva Stasiulis
Department of Sociology and
Anthropology
Carleton University

Mel Watkins
Department of Economics
University of Toronto

Glen Williams
Department of Political Science
Carleton University

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The New Canadian Political Economy

Introduction

The pioneering of political economy approaches gave some of Canada's leading social scientists international recognition for their contributions to world scholarship during the period from the 1920s to the 1950s. After being all but abandoned during the next two decades, a *new* Canadian political economy can be dated from the popularization of nationalist issues identified in the 1968 report of a federal government task force on foreign ownership in Canadian industry, known commonly as "The Watkins Report," and the 1970 publication of Kari Levitt's *Silent Surrender: The Multinational Corporation in Canada*.¹ The revived tradition was launched in earnest by the first Canadian Political Economy sessions in 1976 at the Learned Society meetings in Quebec City, organized by Daniel Drache. These sessions thereafter became a regular feature of the annual "Learneds."

Central to the first decade of the new Canadian political economy were three collections of articles: *Close the 49th Parallel Etc.: The Americanization of Canada*, edited by Ian Lumsden in 1970; *Capitalism and the National Question in Canada*, edited by Gary Teeple in 1972; and *The Canadian State: Political Economy and Political Power*, edited by Leo Panitch in 1977.² Intellectual work proceeded rapidly enough for Wallace Clement and Daniel Drache to compile *A Practical Guide to Canadian Political Economy* in 1978, drawing together an eclectic set of readings from a variety of disciplines relevant to the revived political economy tradition.³ Of continuing importance was the 1979 creation of the learned journal *Studies in Political Economy: A Socialist Review* (twenty-six issues had appeared by the summer of 1988). Through the 1980s, the revival was not only under way, it was flourishing. The wealth of published research it produced was documented in 1985 by Daniel Drache and Wallace Clement's *The New Practical Guide to Canadian Political Economy*.⁴ This time the *Guide* required a host of contributors and twenty-five sub-fields to introduce the subject. This exten-

sive output by a new generation drawing on an older tradition revealed that the new Canadian political economy had come of age.⁵

But, as we look toward the 1990s, this tradition is at another crossroads. A generation of scholars has established the new Canadian political economy on a solid foundation, but it is now time for reflection and rejuvenation. This volume seeks to stimulate fresh directions by connecting the past with the future. It draws on the emerging talents and directions of the new political Canadian economy by bridging the generations with contributors who have both helped create the revival and developed within it.

This collection marks the first publication of a comprehensive and systematic review of the new Canadian political economy. Each chapter makes links between the classics of Canadian political economy, the current state of the art, and its projected future. Chapter topics were selected both to reflect the traditional strengths of Canadian political economy and to capture its more recently defined, rapidly developing, intellectual fields – gender, law, race and ethnicity, and culture and communications. Although without their own chapter contributions to this volume, still other fields currently in embryonic form in Canada will, we hope, soon be robust enough to make their contributions to the wider body of political economy research – the environment, peace, popular discourse, and the eclipse of social democracy and the welfare state.

POLITICAL ECONOMY: ROOTS AND MEANING

Political economy has held different meanings over time, and, more important, political economy has been incorporated into both liberal and Marxist world views. ‘Classical’ European political economy is associated with Adam Smith and David Ricardo, British economists who wrote as capitalism blossomed around the turn of the nineteenth century. Their focus was on the development of commodity markets and the relations of production made manifest by the labour theory of value. Commodities are goods (or services) produced for exchange rather than for direct consumption by the producer. They imply and require the existence of a competitive market where buying and selling can take place. The labour theory of value contends that the basis of a commodity’s value depends on the human labour expended or consumed in its production.

Smith founded the study of political economy in its modern sense as the application of scientific methods of analysis to human society. “Science,” he wrote, is “the great antidote to the poison of enthusiasm and superstition,” and political economy was based on scientific inquiry into “the nature and causes of the wealth of nations.”⁶ Smith proposed an economic theory of history based on human desires for betterment and acquisitiveness as well as people’s capacities for co-operation and exchange of commodities. These

characteristics provided the basis for the division of labour and, as a direct result, human progress, through four qualitatively distinct stages of economic development, each displaying its own social and political structures.

Especially interesting to Smith was the transition from farming to commerce. The social and economic inefficiencies of feudal agriculture were gradually broken down by the rise of the towns and the accompanying development of industrial capitalism through the unconscious operation of the "invisible hand" of the market: "A revolution of the greatest importance to the public happiness, was in this manner brought about by two different orders of people, who had not the least intention to serve the public. To gratify the most childish vanity was the sole motive of the great proprietors. The merchants and artificers, much less ridiculous, acted merely from a view to their own interest, and in pursuit of their own pedlar principle of turning a penny wherever a penny was to be got. Neither of them had knowledge or foresight of that great revolution which the folly of one, and the industry of the other was gradually bringing about."⁷

From this vision of an "invisible hand" that shapes socially beneficial ends from the chaos of individuals seeking to promote their own selfish purposes, Smith derived his theory of the minimal state. He believed, that government intervention in the market, no matter how well intentioned, could serve in the end only to distort the social benefits that would flow from the free competition of industry and capital. The minimal state, Smith argued, would prevent the state from returning to the role it had taken on in previous economic eras as a line of defence for the rich against the poor.⁸

Political economy became a popular label widely employed in nineteenth-century studies of liberal economics and society. There was considerable debate about its exact meaning, but most definitions were compatible in a general fashion with Smith's search for scientific insight into the mechanisms of socially organized production. John Stuart Mill, for example, believed that "writers on Political Economy profess to teach, or to investigate, the nature of Wealth, and the laws of its production and distribution: including, directly or remotely, the operation of all the causes by which the condition of mankind, or any society of human beings, in respect to this universal object of human desire, is made prosperous or the reverse. Not that any treatise on Political Economy can discuss or even enumerate all these causes; but it undertakes to set forth as much as is known of the laws and principles according to which they operate."⁹

Karl Marx, also writing in the nineteenth century, developed his political economy in critique of the dominant liberal or bourgeois political economy that had grown from the work of Smith and Ricardo. Their analysis of markets and profits within capitalism was the orthodoxy against which Marx raged. Smith and Ricardo were the theoreticians of capitalism against feudalism, whereas Marx's task was to expose the internal contradictions of

capitalism in seeking the release of new relations of production. Nevertheless, at a macro level, Marx's analysis shared important similarities with Smithian political economy, including a stress on "scientific" social analysis, a stage theory of economic development, the centrality of labour in creating value, and a view of the state as alien and repressive. At the core of Marx's political economy was a notion most fully elaborated by Ricardo – the labour theory of value – but for Marx the commodity "labour" had a dual quality. Not only does labour produce more than its cost of reproduction (surplus value), and so provide the basis for capitalist exploitation and economic growth, but labour has consciousness, an ability to act politically to transform the conditions of its sale. Exploitation and struggle are the hallmarks of Marx's political economy.

In the *Grundrisse: Introduction to the Critique of Political Economy*, written in 1857, Marx outlines "The Method of Political Economy," saying: "When we consider a given country politico-economically, we begin with its population, its distribution among classes, town, country, the coast, the different branches of production, export and import, annual production and consumption, commodity prices, etc. . . . The population is an abstraction if I leave out, for example, the classes of which it is composed. These classes in turn are an empty phrase if I am not familiar with the elements on which they rest, e.g. wage labour, capital, etc. These latter in turn presuppose exchange, division of labour, prices, etc. For example, capital is nothing without wage labour, without value, money, price, etc."¹⁰

Marx's political economy has come to be known as "historical materialist." It is materialist in the sense that it focuses on the processes whereby material requirements are satisfied. It is historical in its concern for social processes that transform societies. A historical materialist approach seeks to understand the dynamic of change in the transformation of production and reproduction with particular attention given to the tensions, struggles, and contradictions within societies and between them. Political institutions were given an important place by Marx in the regulation of social conflict. As Bob Jessop has argued so persuasively, Marx's historical materialist analysis of the state and politics had its "discontinuities and disjunctions" but offered an open richness that has spurred a "wide range" of state theories.¹¹ Derived from Marx, these state theories focus generally on the mechanisms through which government social and economic policies help to stabilize the dynamic process of capitalist accumulation.

To summarize, while political economy is based on a tradition that investigates the relationship between the economy and politics as they affect the social and cultural life of societies, within political economy there have been divergent tendencies. Broadly, the liberal political economy tradition has placed determinate weight on the political system and markets, while the Marxist tradition grants primacy to the economic system and classes. Such

facile statements, however, underplay the complexity of positions within each tradition. Political economy at its strongest has focused on processes whereby social change is located in the historical interaction of the economic, political, cultural, and ideological moments of social life, with the dynamic rooted in socio-economic conflict. The best of political economy has avoided "economism," which attributes all explanations to the laws of motion of capitalism, instead impregnating materialism with "human agency," whereby the decisions and actions of people are integral to explaining the course of history.

While the contributors to this volume are all working in the political economy tradition, all do not share an identical world view. Such eclecticism reflects the variety of world views associated with Canadian political economy. All do share, however, the strength of the new political economy, which is the incorporation of the political and cultural/ideological within a materialist understanding. As Clement has written elsewhere, "While the economic provides the context, it is the political and the cultural/ideological that write the text of history, the particularities of each nation, and the possibilities for the future. The script is one in which human actors have significant freedom of action."¹² We will return later in this introduction to the question of common ground in the scope and method of the new Canadian political economy.

FROM CLASSICS TO CONTEMPORARIES: INNIS

Through their pioneering of the staples approach to understanding Canadian economic development, Harold Adams Innis (1894-1952) and W. A. Mackintosh (1895-1970) became the founders of the political economy tradition in Canada. Although they at first appeared to proceed from shared assumptions, their conclusions began to diverge markedly with the passage of time.¹³ Whereas Mackintosh's message could be absorbed (and eventually obscured) within orthodox neo-classical economics. Innis's analysis was so forcefully original that his commanding presence has been evident throughout the history of the tradition. Innis has stood sometimes as inspiration, sometimes as foil, for those who have worked to create the new Canadian political economy.

As testimony to his staying power, aspects of Innis's staples thesis are recounted in virtually all the chapters. Its essence is that Canada was developed to exploit a series of raw materials for more industrially advanced metropolitan nations. Canada's reliance on resource exports led to a failure to capture the benefits of the "linkages" associated with the inputs into production and processing of the raw materials, thereby locking it into a spiral of dependent relations. Apparent similarities between Innis's staples thesis and later Latin American dependency theories led the founders of the

new Canadian political economy to proclaim Innis a forerunner of their own application of *dependencia* analysis to Canada. Glen Williams's chapter argues that although this link was key in relaunching the tradition, it was a product more of wishful imagination than of careful analysis. Unlike dependency theory, the staples approach was not rooted in neo-Marxist models of socio-regional exploitation.

But Innis was much more than a staples theorist, contributing to a wide range of issues like regionalism, culture, and communications still central to the study of contemporary Canadian life. He also remained relevant because, like those in the new political economy, he worked outside the mainstream of neo-classical doctrine. Innis's critique of neo-classical political economy was, however, derived not from Marx but from his reading of Adam Smith and the radical heretic of US economics in the early twentieth century, Thorstein Veblen. Innis recorded that Veblen was "the first to attempt a general stocktaking of general tendencies in a dynamic society saddled with machine industry, just as Adam Smith was the first to present a general stocktaking before machine industry came in."¹⁴

In a revealing tribute to Veblen, Innis recorded many features of Veblen's work that characterized his own method. In contrast to ahistorical and static neo-classical analysis, Veblen's approach was "dynamic," Innis wrote, since it focused on "the study of processes of growth and decay" of economic institutions.¹⁵ Also in contrast to neo-classical orthodoxy, Veblen's humanistic interdisciplinary perspective was grounded in the premiss that economic man "is not simply a bundle of desires that are to be saturated by being placed in the path of the forces of the environment, but rather a coherent structure of propensities and habits which seeks realization and expression in an unfolding activity."¹⁶ Another important area of agreement between Innis and Veblen was their stress on the significance of understanding the relationship between machine technology and the character of human activity.¹⁷ This was to become an especially important theme in Innis's later work on culture and communications. Finally, Innis admired what he perceived to be Veblen's detached, unbiased, apolitical, scientific approach, "protecting him from absorption into the partialities of modern movements. His anxiety has always been to detect trends and escape their effects." Veblen, like Innis, was an "individualist . . . in revolt" against mass society.¹⁸

FURTHER LINKS WITH THE PAST: PENTLAND AND MACPHERSON

Innis provided the new Canadian political economy with a non-Marxist alternative to the neo-classical models that today still dominate the training of professional economists. Pentland and Macpherson, as we shall see, pro-

vided a Marxist-influenced basis for the rejection of the dominant liberal models of social analysis.

H. Clare Pentland (1914–1978) has been an important, if somewhat underground, figure in both the rediscovery and the revitalization of Canadian political economy. Pentland's work asked central questions about the making of Canadian labour, in terms of both labour market and class formation, within an immigrant society undergoing industrialization and resource exploitation. Pentland became widely known through a few seminal journal articles, but close followers have always referred to his doctoral thesis, defended in 1961, and a major report prepared for the Task Force on Labour Relations in 1968. Not until 1981 was his thesis, *Labour and Capital in Canada 1650–1860*, finally published under the editorship of Paul Phillips.¹⁹ While Pentland's main work was produced in the 1960s and was not published until the 1980s, its major influence for the revival of Canadian political economy was in the 1970s. Significant critiques of Pentland's work have now begun to appear,²⁰ testament to both the continuing importance of his contribution and also the more scrutinizing gaze of the new political economy's ever stronger foundation of empirical research, a point emphasized in the chapter by Abele and Stasiulis in this volume.

Crawford Brough Macpherson, better known as “C.B.” (1911–1987), also continues to have a major impact on Canadian political economy. His justly famous *Democracy in Alberta: Social Credit and the Party System* was first published in 1953, and he went on to build a world-wide following as a political theorist, culminating in 1985 with *The Rise and Fall of Economic Justice*.²¹ Macpherson's greatest contribution to the new political economy has been through his extensive writings on theories of property, on democracy, and on the development of a theory of rights.

In their own ways, both Pentland and Macpherson fostered and influenced the growth of a strong neo-Marxist presence within Canadian political economy. However, Canadian neo-Marxism has owed its vigour also to a post-1960s resurgence, centred in western Europe, of left intellectual analysis. Not surprisingly, controversies marking the new Canadian political economy in the 1980s have centred on the respective contributions of Innis and Marx. Debate was sparked by a special issue of *Studies in Political Economy*, where David McNally, Leo Panitch, and Ray Schmidt critiqued “Innisian-inspired” dependency perspectives, especially the weakness of class analysis within the Canadian dependency school.²² This critique initiated energetic responses by Ian Parker, Daniel Drache, and Mel Watkins defending the relevance of Innis.²³

At issue has never been whether Innis was a Marxist – of course, he was not – but whether there was a common ground of mutual relevance between the class and dependency/Innisian perspectives within contemporary Cana-