

# The schizophrenic character of Canadian political economy

GORDON LAXER *University of Alberta\**

---

J'explore dans cet article le caractère schizophrène de l'économie politique au Canada: le même vocabulaire marxiste est utilisé par deux traditions bien distinctes, qui toutes deux se logent à l'enseigne de 'l'économie politique'. D'un côté on trouve des historien(ne)s idiographiques, des nationalistes qui insistent sur la position dépendante du Canada dans l'économie mondiale et qui postulent que l'histoire canadienne est principalement produite hors du pays. L'autre camp regroupe les internationalistes, des théoricien(ne)s nomothétiques qui s'intéressent à des questions bien différentes: l'ordre social et la révolution. Bien que ces dernier(e)s admettent que le Canada fait partie d'un ordre capitaliste international, ils/elles postulent que la classe capitaliste canadienne est en grande partie indigène, comme c'est le cas d'autres pays capitalistes avancés. Les deux perspectives ont tendance à être grevées d'idéologie et souffrent d'extrémisme épistémologique et méthodologique. Ce qui produit un dialogue de sourds. Je conclus en suggérant des pistes qui devraient permettre à chaque perspective de se renouveler et d'ouvrir des avenues prometteuses.

This paper explores the schizophrenic character of Canadian political economy. Use of the same Marxist vocabulary cannot hide the existence of two very different perspectives under the rubric 'political economy.' On one side are nationalist idiographic historians who focus on Canada's dependent position in the world economy and assume that Canadian history is largely made outside of Canada. On the other side are nomothetic 'internationalist' theorists who address entirely different issues – those of social order and revolution. While the latter assume that Canada is part of an international capitalist order, they assume the Canadian business class is largely indigenous, as in other advanced capitalist countries. Both perspectives tend to be ideologically charged and engage in epistemological and methodological extremism. The result is a dialogue of the deaf. The paper concludes by suggesting ways by which each perspective can renew itself and lead in more fruitful directions.

---

\* I wish to thank John Myles, Robert Brym, Alain Noel, Graham Lowe, Larry Pratt and Derek Sayer for helpful comments on an earlier draft of this paper.

In the 19th century, orthodox liberal economics was called the 'dismal' science while the revolutionary doctrines of Marx were full of hope about the coming triumph of a new, better social order. In the late 20th century the roles have been reversed. Neo-conservative economists exude an optimism that society will be transformed to a pure, market-driven capitalism. In the 1980s, business has become 'sexy'. Radical political economists on the other hand are full of pessimism. Mostly they demonstrate that whatever the working class does, it always loses.<sup>1</sup>

Canadian political economy shares the pessimism of Western Marxism in the late 20th century, but its cheerlessness is also derived from a home-grown perspective, known as the staples approach. Some scholars, the 'new political economists,' have combined the staples approach with what they conceive of as Marxism, to produce a Canadian version of dependency theory. This approach is pessimistic too. Instead of detailing how the workers always lose, they show how Canada is stuck in a perpetual trap of resource-exporting, foreign ownership, and economic and political dependence.

Canadian political economy may appear to be a coherent, unified perspective with its focus on such issues as the role of the state, capitalist co-ordination and conflict, the welfare state and the role of unions, class culture and the nature of economic development.<sup>2</sup> The language of discourse is Marxist. But beneath the surface are two basic perspectives, developed in the 1970s and in their basic assumptions still to a large extent stuck in the 1970s. They are the perspectives of the new political economists and of those who consider themselves pure Marxists – whether they come from the instrumentalist, structuralist or critical tendencies.<sup>3</sup> (Some political economists, often the most creative ones, go beyond the confines of these perspectives).<sup>4</sup> The two perspectives share few common assumptions. For many Marxists, Canada is largely a place in which to demonstrate the workings of general Marxist laws. They are the nomothetic 'internationalist' theorists. On the other side, the new political economists start from nationalist and historical assumptions and emphasize the uniqueness of Canadian political and economic structures. Issues are explained by external influences and factors which are peculiar to Canada. They are the idiographic historians. Instead of learning from each other, debates within Canadian political economy have tended to encapsulate each side in methodological extremism. Much of the work is directed toward using history to validate theories rather than trying to understand and explain history. The debates often seem to be a dialogue of the deaf.

In this paper I examine the one-sided natures of the explanations of both the 'pure' Marxist and the new political economy approaches. This is not a major review article or survey of the work of Canadian political economists.<sup>5</sup> My aim is more modest – to comment in an editorial way on Canadian political economy's basic approaches and assumptions. In attempting to clearly differentiate the two basic perspectives, I create ideal types. All such endeavors are open to the charge of drawing caricatures to which individual scholars do not conform precisely. I plead guilty at the outset. My defence

is that the exercise aids clarification.

The new political economy perspective emerged in the late 1960s and early 1970s amidst an intellectual and political climate conducive to an acceptance of its main tenets. Those were the days of popular disaffection with American society, ranging from issues of the Vietnam War to the role of multinational corporations. The world had witnessed a decade of anti-colonial struggles against western empires. In Canada, national and regional movements to some extent mirrored these international events as Quebec nationalism, English-Canadian nationalism and western and Newfoundland regionalism reacted against and inflamed each other. Young political economists in English-speaking Canada absorbed currents from Marxism, radical liberalism and dependency approaches.<sup>6</sup>

Like many of their counterparts in the Third World, new political economists in Canada rejected orthodox western Marxism whose theories were derived largely from historical experiences in the centre of the developed capitalist world. The assumption, common amongst American and Western European Marxists, that capitalist economies were all moving in the same unilinear direction,<sup>7</sup> did not seem to apply to Canada in important respects. Canada was not progressing away from a primary commodities economy; foreign ownership was at the highest of the levels in the Third World and an indigenous bourgeoisie with a distinct national consciousness was not in evidence. As well, nationalism, of an anti-imperialist kind along the lines of national liberation movements in the Third World, appeared to many Canadians to have progressive rather than reactionary potential.

In this context it is not surprising that some political economists (in English Canada) rediscovered an earlier, non-Marxist intellectual tradition in Canada that addressed the issues of Canadian peculiarities and dependence described above (Drache, 1978). This was the staples approach of Harold Innis, W.A. Mackintosh and others. Begun in the 1920s, the staples approach or 'old political economy' was an establishment movement that became dominant in the discipline of economics. Adherents had close connections with private research foundations and governments of the day, acting as advisors and teachers of civil servants (Creighton, 1957; Berger, 1976).

The old political economy was guided by several questions, all of which grew out of nationalist concerns. First, why did resource exports continue to shape the Canadian economy or, in other words, why had Canada not yet matured economically? Second, why were so many of the decisions about the Canadian economy regarding capital, technology, management and demand, made outside Canadian borders? Third, did Canada make sense as a geographic entity and under what conditions did the regions become economically united or fractured (Innis, 1973: 209)? In attempting to answer these questions, the old political economy adopted what would now be considered an interdisciplinary approach.

The old political economy had four main assumptions:

1/ Canadian history could be understood best by Canada's persistent search for staple products with ready markets in more advanced countries (Mackintosh, 1967: 4). This was an emphasis on the external determination

of much that happened in Canada. Canada should not be studied, it was thought, as a self-contained economy using Ricardian assumptions of international trade, namely that capital and labour were relatively immobile (Nurkse, 1962: 120). Staple-exporting sectors were analysed in their global contexts. Canada was an 'open economy'.

2/ The role of elites was emphasized, reflecting the political dominance of 'Toryism' in Canada (in reality Whiggism) in the 19th and early 20th centuries (Whitaker, 1977). Canadian business elites were generally not portrayed as independent actors but rather as working in close connection with foreign business interests. Bankers, merchants and resource capitalists were seen to be more powerful than industrialists. The state acted as 'capital equipment' (Innis, 1973: 260).

3/ History was thought to be the key to understanding Canada. Historical study was a way to escape from the assumptions of orthodox economics which had developed in the context of the old world of Western Europe. 'A new country presents certain definite problems which appear to be more or less insoluble from the standpoint of the application of economic theory as worked out in the older highly industrialized countries,' wrote Innis early in his career, thus mapping out his life's ambition to create a new approach to the study of new world societies. 'Economic history consequently becomes more important as a tool by which the economic theory of the old countries can be amended' (Innis, 1973: 3). Innis' view that the new world had unique characteristics, making comparison with the old world of Europe less than fruitful, was widely shared. The idea that America was different, was a classless utopia, was the future, dates back to early colonial days (Hartz, 1955). Innis took up the theme of new world exceptionalism and gave it a different content.

4/ The important explanatory factors were geographic, with great emphasis on waterways, economic in the neo-classical sense and technological. Cultural factors were included but were usually conceived narrowly as consumer taste, technique and the centralized character of government and business institutions.<sup>8</sup> Internal political and social events, though often discussed, were hardly ever considered causal factors.<sup>9</sup> Innis' 'history, as history, was dehumanized' (Berger, 1976: 98).

The old political economy went into eclipse in the 1950s, a victim of the shift in western economics towards econometrics. Mathematics and deduction replaced historical inquiry into such matters as changes in technology and institutions (Kuttner, 1985), the objects of study of the old political economy.

When the new political economy emerged a decade or more later, it had a very different look. Gone were the department chairmen and other pillars of the academic establishment who had led the old political economy in the 1930s to 1950s. In their place were radical academics, most of them young, who struggled against the mainstream of their disciplines. Glen Williams (1988) has pointed to basic differences from the old political economy. Whereas Innis had conceived of Canada as being on the margin of western civilization, the new political economy saw Canada on the periphery (i.e.,

Third World) of international capitalism. Innis' constraints against economic diversification became more rigid blockages to development in the new political economy. Instead of the Canadian state acting positively to adapt to international fluctuations, it was seen to be a puppet of foreign capital (Williams, 1988: 122).

The new political economy was influenced by elite theory as interpreted by C. Wright Mills (1956) and John Porter (1965) and mixed with a crude version of Ralph Miliband's approach to the state (1969).<sup>10</sup> It spoke in Marxist and anti-imperialist tones.<sup>11</sup>

Looks can be deceiving, however. The aura of dissent was there, but the epistemology was much the same. If the new political economy was more rigid and closer to dependency theory, it still shared the old political economy's assumptions about the important causal factors in history:

1/ External control of Canadian life. The sources of foreign influence were seen to be multinational corporations, imperial states and metropolitan centres of finance.

2/ The emphasis on elite power was still there. Capitalists of various sorts were portrayed as dominant while popular influence was thought to be nearly non-existent. The contest between internal Canadian classes was unimportant (Naylor, 1972: 2). The Canadian state was seen as a spokesman for external and internal capitalists, with little independent input on its own (Watkins, 1977).

3/ Historical analysis was crucial, not for Innis' purpose of developing a new theory for the understanding of new world societies, but because it was thought that Canada occupied a unique place in the world. Canada was a western advanced country, yet it shared many features with the Third World. Canada was exceptional because it was so overwhelmed economically, politically and culturally by the American Empire. But for all the emphasis on Canadian history, the new political economy assumed that whatever happened in Canada had an external cause. Canadian uniqueness stemmed from its distinct relation to the United States. Canada's history was the history of a victim.

4/ Despite its Marxist language, the new political economy attributed continuity and change to the same factors as the old political economy: technological dependence on multinational corporations (Naylor, 1975: 38-64), geography - especially proximity to the U.S., economics as the power of capital to determine events and culture in the limited sense of the culture of corporate capitalism. Again, except for the role of Canadian elites, internal social and political factors were largely ignored. Victims do not make their own history. The old and new political economies also shared a mood: determinism and pessimism.

Canadian Marxist scholars had a very different epistemology from the old and new political economies (in the sense that I have defined them) and different origins, dating back to the 1930s.<sup>12</sup> The 1960s revival of Marxism in the western world was delayed in Canada, perhaps by the prior appearance of the new political economy. It was not until the late 1970s that a new generation of Marxist scholars<sup>13</sup> burst onto the scene with the establishment

of academic journals such as *Studies in Political Economy (SPE)* (1979), *Labour/Le Travail* (1976) and the *Canadian Journal of Political and Social Theory (CJPST)* (1977), and the publication of *The Canadian State: Political Economy and Political Power*, edited by Leo Panitch (1977b). Each journal roughly represented different schools of thought in modern western Marxism: *SPE* the structural-functionalists, *CJPST* the cultural-hegemony approach and *Labour/Le Travail* the working class history approach of E.P. Thompson. With the appearance of these Marxist approaches, the crude instrumentalism of radical elite theory of the early 1970s went into rapid decline. The very success of the Marxist writers of the late 1970s seem to have arrested the evolution of their thinking. The old debates and assumptions are still with us in the late 1980s.

The new Marxism was concerned with questions of social order and revolution rather than the laws of capitalist economic development, the main focus of Marx's volumes of *Capital*, and in their own ways as well, the focus of the old and new political economies. In the 1970s the social order/revolution question led to a rediscovery of the importance of the state. What was its nature? Who ran it? What was its domain? How did it maintain its legitimacy? How was it able to overcome all the contradictions of late capitalism and maintain a capitalist social order?

The Marxists of the Second International foresaw the socialist revolutions occurring first in the most advanced countries. The development of capitalism would lead to its demise, they thought. But by the First World War it was becoming obvious that the concentration and centralization of capital, the socialization of production and the development of powerful labour and socialist movements were not sufficient in themselves to set off a workers' revolution in the advanced capitalist countries. Something must be holding the bourgeois social order together in these societies. The economic determinism and unilinear evolutionary tendencies of the early Marxists had to be modified to explain revolutionary success in a backward country (Russia) and failure in advanced ones (Palma, 1981). (Marx was less unilinear in his thinking about development than most of his followers.)<sup>14</sup> Lenin's work marked a shift in international Marxism. Voluntarist concepts in the form of revolutionary parties and repressive and intelligent bourgeoisies and states were given more emphasis and presaged the later rediscovery of the state.

In *Imperialism, the Highest Stage of Capitalism* (1939: 106), Lenin attributed the postponement of workers' revolutions in the advanced countries to imperialism and the consequent benefits gained by labour aristocracies in those societies. Lenin's modification of classical Marxist assumptions seemed to satisfy the Marxist need to explain why revolutions failed to materialize in the western countries through the Second World War.

With the prolonged affluence of the post World War II period and the continued decline of revolutionary workers parties in the West, however, imperialism alone did not seem to be a sufficient explanation of the continuation of bourgeois society. The way out lay in one of two directions. Either Marx-

ism was wrong that the contradictions of capitalism were sufficient to produce workers' revolutions under normal conditions (i.e., without war or the collapse of the state) or else there must be some mechanism or agency that prevented the workers from organizing and developing a consciousness of a class for itself.

Orthodox Marxists did not want to entertain the first possibility. Luckily, shimmering off in the distance was something that could save the theory. That something was the state in all its ambiguity. If the state in capitalist society could be given sufficient powers either by imbuing it with all-knowing agents who could foresee the long-term consequences of their actions (crude instrumentalism) or by making the whole thing sufficiently abstract and imbuing the state with teleological functions that somehow always kept the bourgeoisie in power (structural-functionalism), perhaps the edifice could be saved. These solutions were drastic, however, because they could be purchased only at the cost of discarding history.

In a brilliant paper, Philip Abrams (1988: 70) accounts for the Marxist ambivalence about the state as follows:

Marxist theory needs the state as an abstract-formal object in order to explain the integration of class societies ... Class relationships of capitalist societies are coordinated through a distinctive combination of coercive and ideological functions which are conveniently located as the function of the state ... At the same time Marxist practice needs the state as a real concrete object, the immediate object of political struggle ... To propose that the object of that struggle is merely an abstract-formal entity would have little agitational appeal.

This ambivalence is evident in Poulantzas' work.

Poulantzas begins by proclaiming the unreality of the state ... an abstraction ... he at once adopts a functional rather than a structural account of what the state is: by the state we are to understand the cohesive factor within the overall unity of a social formation ... And functions are of course institutionalized. The slide begins. The function of cohesion is said to be located in what Poulantzas calls 'a place' ... So function becomes place and place becomes agency and structure – the specific structures of the political (Abrams, 1988: 72).

Caught by the contradiction between the idea of the state as abstract and formal (for theoretical purposes) and the state as concrete entity (for political action purposes), Poulantzas remains vague. He rejects history on principle. Abrams concludes: 'So functions refuse to adhere to structures, structures fail to engross functions ... Perhaps it would be easier to dispense with the conception of the state as an intervening hidden structural reality altogether' (1988: 73).

Structural-functional Marxism has been the dominant Marxist tendency within English Canada. Instrumental Marxism has for the most part been rejected for the crudity of its assumption that in a capitalist society, the state is always controlled by capitalists. This paradigm came too close to con-

spiracy theories and to the non-Marxist elite paradigm (Panitch, 1977b: 4). For the structural-functionalists, the beauty of the state is that it is not controlled by capitalists. Because of its 'relative autonomy' from business control, the state is able to mediate between labour and capital to ensure the continuation of capitalism in ways that a state operating at the behest of capitalists could not.

The Marxist idea that the state is relatively autonomous from the capitalist class is uncomfortably close to the classical liberal separation of the state from civil society (Abrams, 1988: 59). Besides sharing the market-state duality with liberalism, this conception also shares the latter's ahistoricism. Taken to its extreme, the relative autonomy of the state leads us back to traditional political science, in which politics are explained by narrow, political institutional variables.<sup>15</sup>

The English Canadian structural-functionalists seem to have been more influenced, at least initially, by James O'Connor than by Poulantzas. Half the articles in Panitch's *The Canadian State* (1977a) explicitly adopt O'Connor's (1973) paradigm about the functions of the state as legitimation and accumulation.<sup>16</sup> Perhaps Poulantzas was too abstract and unempirical for the English-speaking mind. O'Connor's concreteness was rejected though by Rianne Mahon (1977: 169) because of his tendency 'to fall back on instrumentalist explanations when analysing the formation of any particular policy,' echoing the logic of Abrams' argument.

O'Connor's paradigm combined the worst features of instrumentalism and structural-functionalism. The state is analysed as a concrete object without removing its abstract theoretical assumptions and yet at the same time it is given teleological functions which ensure that no matter what the workers do, they always lose. If workers manage through political action to achieve social welfare gains, conceived as 'social expenses,' they are simply playing into the hands of the capitalist state in its legitimation function. If workers lose and the state can cut down on such expenditures, placing a burden on capital, it is a victory for the state's accumulation function (1973: 6-10). In this paradigm, there is no way out for the working class. The possibility of successful workers' reform has no place in this teleological history. While revolution is theoretically possible, the creation and development over time of an effective workers' movement that could overturn the system is highly improbable. Thus Marx's idea of a successful workers' revolution is for all intents and purposes discounted.

Poulantzas' ahistorical bias is also evident in O'Connor. Consider O'Connor's use of history in the introduction to his book: 'Many of the data presented have been chosen more to illustrate a line of theoretical argument than to verify a set of hypotheses' (1973: 6). Functionalism, whether from the left or the right has this ahistorical approach. Donald Swartz (1977: 314) understood the problem with O'Connor's approach, 'central to which is an undialectical conception of the relationship of the state to civil society in general, and to the ongoing class struggle in particular'.

O'Connor's early influence on the new Marxism in Canada has, happily, waned in recent years.<sup>17</sup> Unfortunately, the assumptions underlying the



structural-functional approach to the study of history remain. There is still a marked tendency for Canadian history to be viewed as a means to confirm theory. The state in its ideological dimension is given inordinate importance and history is often bashed into shape to fit preconceived theories.<sup>18</sup>

We can now return to our earlier discussion comparing structural-functional Marxism in English Canada with the new and old political economies. Assumptions about the causal factors are virtually the mirror image of those of the new and old political economies. Furthermore the whole object of inquiry is different. Rather than attempt to explain Canada's economic development and its place in the international political economy, the structural-functional Marxists are concerned primarily with the social order/revolution question. The latter's assumptions about the causal factors in history are:

1/ While it is assumed that Canada is part of an international capitalist order, the business class and state are seen as largely autochthonous or indigenous, as in other advanced capitalist countries. This view contrasts with the dependent or colonial characterization of the Canadian bourgeoisie in the new political economy.

2/ Rather than focussing exclusively on the capitalists, there is a healthy examination of other classes and of class relations.

3/ While there has been a lot of historical analysis, much of it begins with the ahistorical goal of confirming Marxist theory. Recently there has been a move away from such an ideologically-bound starting point.

4/ Rather than emphasize geography, technology and economics in the narrow sense, Marxists concentrate on class relations, politics, ideology and economics as it relates to class struggle.

The new political economy and the dominant tendency in English Canadian Marxism, that of structural-functionalism, tend to methodological extremism. The former emphasizes the unique aspects of Canada while the latter tends to view Canada as only a place in which Marxist laws unfold. These are the two ends of the pole of idiographic and nomothetic inquiry. Each extreme leads to arid studies since a proper balance is not achieved. (Some studies in each camp have been fruitful in spite of themselves because in practice they have deviated from their theoretical assumptions.) This paper has been written to suggest ways to reach that balance.

The new political economy has achieved little in the 1980s and some of the early adherents have moved on to other things.<sup>19</sup> This was the fate of the old political economy too, as some of the leading staples scholars moved away from Canadian inquiries.<sup>20</sup>

This is a natural tendency for idiographic studies, as the best scholars pursue the connection between patterns observed in Canada and those occurring elsewhere.

To renew itself, the new political economy needs to modify several assumptions which have more to do with belief than with the reality of Canada's international position. The idea of external control of Canadian life is too rigidly held. It is easy to blame others. George Grant (1965: 43) understood the internal basis of foreign capital's power in Canada: 'foreign

capital is able to determine possible governments by incarnating itself as an indigenous ruling class'. The danger to Canadian independence lies largely within Canada itself.

The emphasis on elite control is also overly determinist. While popular forces have as yet failed to coalesce at the federal level because of regional and national divisions, their impact can be seen in the consistent level of support for the social service state and the extent of opposition to the 1988 Canada U.S. trade deal.

The range of causal factors in the new political economy must be broadened beyond those of traditional economic history to include politics as a more independent factor, social movements and culture broadly conceived. The new political economy's historical emphasis is its saving grace.

The structural-functional Marxists also need to make some changes. The first thing to do is to discover the proper use of history. The object of scholarly inquiry is to understand and explain history, not to confirm theory. Theory is a guide to understanding history and remains useful only as long as it does this. If, on the contrary, history is used to confirm theory, it is a retreat into belief or religion and stands in the way of genuine understanding. Happily, an increasing number of Canadian Marxists are 'doing' good history.

In discovering history, the pursuit of developing a theory of the state should be abandoned as a wrong-headed goal. It is like pursuing a theory of history. 'Doing' good history usually results in better theory than 'doing' theory because historical interpretations and assumptions are not formed before finding out what was actually going on (Stinchcombe, 1978: 4,17). I am not advocating the opposite extreme of abandoning theory. Theory, however, should be seen as relative, limited in its scope and modifiable.

The state cannot be understood in isolation from class formation and class consciousness. E.P. Thompson (1968: 10) has argued the impossibility of developing a law about class consciousness:

The class experience is largely determined by the productive relations into which men are born – or enter involuntarily. Class consciousness is the way in which these experiences are handled in cultural terms: embodied in traditions, value-systems, ideas, and institutional forms. If the experience appears as determined, class-consciousness does not. We can see a *logic* in the responses of similar occupational groups undergoing similar experiences, but we cannot predicate any *law*. Consciousness of class arises in the same way in different times and place, but never in just the same way.

If Thompson is right about classes and class consciousness, then we cannot develop a law about the state. States must be understood historically.

Structural-functional Marxists should also modify their almost exclusive focus on the social order/revolution question. It was this fixation which led them to adopt the same epistemology as Talcott Parsons and other conservative functionalists who were also mesmerized by social order because they worried about threats to capitalist society. Many aspects of political

economy, including Canada's place in the international community, cannot be understood well by reference to social order/revolution questions.

There are ways to bridge the bifurcation of the uniqueness versus general laws approaches in Canadian political economy. The comparative-historical method is a promising approach. Instead of assuming that either everything in Canada is unique or else that nothing in Canada is unique, we can do comparative work on a whole range of questions to see in what ways events and patterns in Canada are similar to and different from those in other countries. One group of Canadian Marxists, the labour studies group around *Labour/Le Travail* already adopt this approach, at least implicitly. Outside Canada, the historicist school of writers such as Skocpol et al. (1985) and the democratic socialist school, centred in Sweden, are using comparative studies creatively.

Comparative studies must be approached with sensitivity to be fruitful. To think of Canada as a Third World country is absurd. But to go to the other extreme and consider Canada as just another relatively independent, advanced capitalist power may also be wrong, at least for certain questions.<sup>21</sup> The country or countries with which Canada can best be compared will vary from question to question. For certain political questions, the 'white dominions' may be best, while for economic development questions, perhaps the 'late follower' countries are best (Laxer, 1985).

Another way to cure the schizophrenic character of Canadian political economy is to end ideologically-motivated studies. The first step to mental liberation is to forget trying to prove that Marx or Innis or any other intellectual icon was right or wrong. As Max Weber (1949: 103) wrote:

All specifically Marxian 'laws' and developmental constructs – insofar as they are theoretically sound – are ideal types. The eminent, indeed unique, *heuristic* significance of these ideal types when they are used for the *assessment* of reality is known to everyone who has ever employed Marxian concepts and hypotheses. Similarly, their perniciousness, as soon as they are thought of as empirically valid or as real (i.e., truly metaphysical) 'effective forces', 'tendencies', etc. is likewise known to those who have used them.

The way out for Canadian political economy is for scholars to read history closely, armed with a range of theoretical questions. We should not be afraid to abandon preconceived notions that do not stand the test of history. Perhaps in this way Canadian political economy will abandon its pessimistic mood.

#### NOTES

- 1 The Social Democratic school and the historicists such as Theda Skocpol (1980) have a more balanced view.
- 2 This list of themes is not exhaustive. It includes those which the different perspectives share in common.
- 3 There is a considerable literature on the different schools of contemporary Marxism. For a start see Jessop (1977) and Abrams (1988).

- 4 Some Marxists follow the historical approach of such scholars as Edward Thompson and do not fit neatly into either camp. See for example the work of Kealey and Palmer (1982). (See the conclusion.)
- 5 See for example Marchak (1985).
- 6 Levitt (1970) was influenced strongly by Hugh Aitken and Harold Innis of the staples approach. She described Innis as the 'chronological antecedent of the Latin American economists in developing a "metropolis-periphery" approach to American staples economies' and was aware of the works of Prebisch and Furtado.
- 7 Ralph Miliband, Nicos Poulantzas and Claus Offe, each coming from different schools of Marxism, were content to discuss the state in advanced capitalism as if it was one entity. They did not trace the evolution of the state historically and in different countries.
- 8 In the 1940s and early 1950s, Harold Innis became increasingly interested in cultural questions surrounding communications. But this marked a move away from the staples approach rather than an inclusion of broad cultural questions within the staples framework.
- 9 See for example Harold Innis' 'Great Britain, the United States and Canada' (1973) in which political parties are discussed. The explanation focusses on technological causes. Donald Creighton cannot be considered in the staples school. Although his first book, *The Empire of the St. Lawrence* (1970 [1937]) was heavily influenced by the ideas of Harold Innis, Canadian politics, social questions and human agency were at the heart of his work.
- 10 See for example the influential works of Wallace Clement (1975; 1977).
- 11 The old political economy did use some of the same vocabulary – that of dependency in such phrases as 'economic satellite', 'the state', 'American Empire', 'metropolitan areas' and Montreal 'financiers'.
- 12 From the 1930s to the 1960s, Marxist scholarship was centred around the Communist Party of Canada. Prominent Marxists and neo-Marxists such as C.B. Macpherson and H.C. Pentland, however, had an independent existence in the universities.
- 13 A vigorous and more eclectic Marxist approach developed in Atlantic Canada around the history journal *Acadiensis* and *Labour/Le Travail*.
- 14 See his discussion of the Russian road to development in Teodor Shanin (1983).
- 15 See for example Stephen Krasner (1978).
- 16 Sometimes a third function coercion is added.
- 17 A cursory survey of recent volumes of *SPE*, revealed few authors explicitly using O'Connor's categories.
- 18 See for example my critique of Panitch's historical analysis in his otherwise excellent 'Dependency and Class in Canadian Political Economy' (1981) in *Open for Business. The Roots of Foreign Ownership in Canada* (1989 in press) chapter 5. Panitch states that 'the degree to which the state is relatively autonomous from particular classes cannot be given in the abstract. It can only be assessed through concrete analysis of the balance of forces at each particular conjuncture' (1981: 25). This is the right approach but unfortunately Panitch does not follow his own prescriptions. His historical analysis owes more to theoretical arguments from *Capital* than to actual Canadian history.
- 19 R.T. Naylor is a case in point.
- 20 Harold Innis and Hugh Aitken were notable examples.
- 21 Glen Williams (1988) has some useful things to say on these questions.

## REFERENCES

Abrams, Philip

1988 'The Difficulty of Studying the State.' *Journal of Historical Sociology* 1(1)  
March

- Berger, Carl  
 1976 *The Writing of Canadian History*. Toronto: Oxford University Press
- Clement, Wallace  
 1975 *The Canadian Corporate Elite*. Toronto: Carleton Library
- 1977 *Continental Corporate Power*. Toronto: McClelland and Stewart
- Creighton, Donald  
 1957 *Harold Adams Innis, Portrait of a Scholar*. Toronto: University of Toronto Press
- 1970 *The Empire of the St. Lawrence 1760–1850*. Toronto: Macmillan
- Drache, Daniel  
 1978 'Rediscovering Canadian Political Economy.' In W. Clement and D. Drache, *A Practical Guide to Canadian Political Economy*. Toronto: Lorimer
- Grant, George  
 1965 *Lament for a Nation, The Defeat of Canadian Nationalism*. Toronto: McClelland and Stewart
- Hartz, Louis  
 1955 *The Liberal Tradition in America*. New York: Harcourt, Brace Jovanovich
- Innis, Harold  
 1973 *Essays in Canadian Economic History*. Toronto: University of Toronto Press
- 1975 *The Fur Trade in Canada*. Toronto: University of Toronto Press
- Jessop, Bob  
 1977 'Recent Theories of the Capitalist State.' *Cambridge Journal of Economics* 11 December
- Kealey, Gregory, and Bryan Palmer  
 1982 *Dreaming of What Might Be. The Knights of Labour in Ontario, 1880–1900*. London: Cambridge University Press
- Krasner, Stephen  
 1978 *Defending the National Interest*. Princeton: Princeton University Press
- Kuttner, Robert  
 1985 'The Poverty of Economics.' *The Atlantic Monthly* February
- Laxer, Gordon  
 1985 'Foreign Ownership and Myths About Canadian Development.' *The Canadian Review of Sociology and Anthropology* 22(3) August
- 1989 (in press) *Open for Business, The Roots of Foreign Ownership in Canada*. Toronto: Oxford University Press Canada
- Lenin, Vladimir  
 1939 *Imperialism, The Highest Stage of Capitalism*. New York: International Publishers
- Levitt, Kari  
 1970 *Silent Surrender: The Multinational Corporation in Canada*. Toronto: Macmillan
- Mackintosh, W.A.  
 1967 'Economic Factors in Canadian History.' In W.T. Easterbrook and M.H. Watkins (eds.), *Approaches to Canadian Economic History*. Toronto: McClelland and Stewart
- Mahon, Rianne  
 1977 'Canadian Public Policy: the Unequal Structure of Representation.' In Leo Panitch (ed.), *The Canadian State* (1977b)

- Marchak, Patricia  
1985 'Canadian Political Economy.' *The Canadian Review of Sociology and Anthropology* 22(5)
- Miliband, Ralph  
1969 *The State in Capitalist Society*. London: Weidenfeld and Nicolson
- Mills, C. Wright  
1956 *The Power Elite*. New York: Oxford University Press
- Naylor, R.T.  
1972 'The Rise and Fall of the Third Commercial Empire of the St. Lawrence.' In G. Teeple (ed.), *Capitalism and the National Question in Canada*. Toronto: University of Toronto Press
- 1975 *The History of Canadian Business 1867-1914, Volume II*. Toronto: Lorimer
- Nurkse, Ragnar  
1962 *Problems of Capital Formation in Underdeveloped Countries*. Oxford: Basil Blackwell
- O'Connor, James  
1973 *The Fiscal Crisis of the State*. New York: St. Martin's Press
- Palma, Gabriel  
1981 'Dependency and Development: A Critical Overview.' In D. Seers (ed.), *Dependency Theory. A Critical Reassessment*. London: Frances Pinter Ltd.
- Panitch, Leo  
1977a 'The Role and Nature of the Canadian State.' In Leo Panitch (ed.), *The Canadian State* (1977b)
- 1981 'Dependency and Class in Canadian Political Economy.' *Studies in Political Economy* 6 Autumn
- Panitch, Leo (ed.)  
1977b *The Canadian State: Political Economy and Political Power*. Toronto: University of Toronto Press
- Porter, John  
1965 *The Vertical Mosaic*. Toronto: University of Toronto Press
- Shanin, Teodor  
1983 *Late Marx and the Russian Road. Marx and the 'Peripheries of Capitalism.'* London: Routledge and Kegan Paul
- Skocpol, Theda  
1980 'Political Response to Capitalist Crisis: Neo-Marxist Theories of the State and the Case of the New Deal.' *Politics and Society* 10(2)
- Skocpol, Theda, Peter Evans, and Dietrich Rueschemeyer (eds.)  
1985 *Bringing the State Back In*. New York: Cambridge University Press
- Stinchcombe, Arthur  
1978 *Theoretical Methods in Social History*. New York: Academic Press
- Swartz, Donald  
1977 'The Politics of Reform: Conflict and Accommodation in Canadian Health Policy.' In Leo Panitch, *The Canadian State* (1977b)
- Thompson, E.P.  
1968 *The Making of the English Working Class*. Harmondsworth: Penguin
- Watkins, Mel  
1977 'The State in a Staples Economy.' Paper presented to the conference 'The American Empire and Dependent States: Canada and the Third World.'

- University of Toronto, November
- Weber, Max  
1949 'Objectivity in Social Science and Social Policy.' In Weber, *The Methodology of the Social Sciences*. New York: The Free Press [1904]
- Whitaker, Reginald  
1977 'Images of the State in Canada.' In Leo Panitch (ed.), *The Canadian State*. Toronto: University of Toronto Press
- Williams, Glen  
1988 'On Determining Canada's Location Within the International Political Economy.' *Studies in Political Economy* 25 Spring
- Wood, Louis  
1975 *A History of Farmers' Movements in Canada*. Toronto: The Ryerson Press

**NEW FROM OXFORD!**

**OPEN FOR BUSINESS**

**The Roots of Foreign Ownership in Canada**

**Gordon Laxer, Sociology Department, University of Alberta**

---

This book delves into the most recent subjects of debate on foreign ownership, including the National Energy Program, FIRA, and the Canada-US free trade deal. Using a wide ranging comparative approach, Laxer subjects the standard explanations of Canada's economic dependence to careful and critical scrutiny. He challenges the theories of accepted orthodoxes from Conservative to Marxist, and argues that the assumptions about external control, the role of the Canadian elite and the effects of geography are not adequate to explain Canada's failure at more independent development.

19 5407342 256 pp. **Paper \$16.95** Available March 1989

---

**Oxford University Press, 70 Wynford Drive, Don Mills, ON M3C 1J9**