
 INTRODUCTION

*Celebrating Innis:
The Man, the Legacy,
and Our Future*

Export trade has been fundamental to the economic life of Canada since its discovery.
Harold Innis, "The Rowell-Sirois Report," 1940

Economic history is complementary to political history.
Harold Innis, *The Cod Fisheries*, 1964

Man's economy, as a rule, is submerged in his social relationships.
Karl Polanyi, *The Great Transformation*, [1944] 1957

Despite [its] much vaunted "flexibility" and capacity for easy adjustment to changing circumstances ... the market institution may reach a threshold of stress when it fails to adjust.

Abraham Rotstein, "Innis: The Alchemy of Fur and Wheat," 1977

INTRODUCTION

Harold Adams Innis remains far and away Canada's most brilliant political economist, and the centenary of his birth in 1994 is a fitting occasion on which to honour him with a new edition of his essays and articles. In his lifetime, Innis made many contributions to the study of economic geography and history, communications theory, regional development, and the history of Western civilization and technology. In his work on economic settlements and markets, he was preoccupied with the role and fate of aboriginal peoples, the development and spread of commerce, the interpenetration of cultures, the economic consequences of social disturbances, the evolution and operation of labour markets, and the power of governments to shape markets and the course of history through communications technologies. The publication of the present volume provides a unique opportunity to probe this rich legacy with depth and acuity.

In its scope and reach, this centenary edition assembles the most significant and representative writing from the early, middle, and late periods of Innis's scholarship. It includes some previously unpublished essays, as well as other material that has not been readily accessible to the public, on markets, staples, and cultural change – the primary issues and themes that preoccupied Innis in a lifetime of archival-based research. The volume covers such subjects as the rise of industrialism and the expansion of international markets, the staples trades, critical factors of Canadian development, metropolitanism and nationality, the problems of adjustment, the political economy of communications, the economics of cultural change, and, finally, Innis's conception of the role of the intellectual as citizen. To think that the later Innis was concerned strictly with cultural issues while the early Innis of the staples was narrowly focused on economic development is plainly wrong. This collection clearly demonstrates that such a division is artificial.

Like the great French historian Fernand Braudel, Innis focused on the *longue durée*, the history of events and epoch-making forces that transformed economies, states, and civilizations. The question he set for himself was to examine the complex inner dynamics of global forces that work themselves out in cycles that are endlessly renewed by the ebb and flow of commercial transactions (Braudel 1980). In fixing this goal, Innis remained faithful to his political economy origins throughout his life. He succeeded, as few have done, in providing a powerfully wide-angled account of the contradictory and cross-cutting economic and social forces that shape modernity. He believed that it was important to undertake extensive studies of a range of phenomena that were not what he called economic "success stories" (Innis, 1936a, 26). Rather, what preoccupied him as a scholar was the costly and uncontrollable effect of international markets on people and communities; it is this abiding interest in the contradictory and unintended consequences of markets in general – the dominant structure of modern economic activity – that forms the rich legacy of his prodigious output. He set out to explain the significance of price rigidities wherever they emerged in the cultural, social, and political institutions in new countries. By the end of his intellectual journey, Innis had developed one of the most powerful critiques of modernity of his generation.

INNIS: "A DIRT ECONOMIST"

That so much of Innis's scholarship concentrated on the spatial dimension of markets is not surprising. Global markets have always

been highly volatile – subject to enormous swings in price and demand – as a result of technological innovation, distributional inequality, commodity shortages and investors' greed. The external market was at once more powerful and more turbulent than either the domestic market or local markets. It set the pace and direction of development for all countries, especially for frontier economies at the margin of the world order. To study this and other questions, Innis preferred to think of himself as a "dirt economist," a phrase he coined to describe the ideal economist who did not neglect the social and political side of economic life (Innis 1936a, 26). The idea of getting down to basics fitted his powerful intellect as well as his populist leanings as a public intellectual – an engaged critic of power and authority, who considered that one of his responsibilities was to think about the big-ticket items of his day. Curiously, for a man who lived through two world wars, the Great Depression, and the beginning of the Cold War, his self-definition of being a public intellectual made him antipolitical. He was not interested in politics as a calling or a profession, and he had little time or patience for the world of partisan politics, which he viewed as a world of expediency and falsehood.

On the other hand, Innis did believe passionately in the power of ideas to change what happened in the political arena and to shape the policies governments ultimately introduced. An informed public was an essential condition of democracy. Yet he had many reasons to oppose the centralizing power of a state-sponsored nationalism to ride roughshod over cultural minorities, even though he was an ardent Canadian nationalist. As will be seen in the essays in part 3, he lashed out against privilege and the exercise of power in Canada and elsewhere. He questioned business's self-appointed role as the locomotive of progress and castigated corporations for their greed and lack of planning. Above all, he was gravely concerned about the willingness of public authority to rely so frequently on force rather than reason. Yet throughout his life he remained a liberal, committed to individualism, well-being via the market, and parliamentary democracy, despite his trenchant critique of the growing authoritarianism of governments and the failure of market economics to address basic issues of growth and equity.

Innis's profound sense of social critique has confused many of his subsequent critics, who have not been able to place him in a conventional left-right view of the world. Was he a conservative-minded liberal? Was he a liberal-minded conservative on social issues? Was he a populist? A nationalist? A determinist who assigned too large a role to the environment and not enough to social

actors? Or was he, in the final analysis, one of those rare scholars free of party or clan loyalties who have an uncanny grasp of the forces that have stirred up the most powerful dynamics of society and civilization? These are not easy questions to answer for the simple reason that Innis was more than an economist. Like Adam Smith, his conception of economics had a strong element of moral philosophy, and this led him to treat political economy as an integral aspect of social policy. This fact, more than any other, made Innis into an angular figure to many of his colleagues. Nor is it surprising to discover that today's mainstream economists and historians feel the same unease (Barnes 1993; and Angus and Shoemith 1983; Clement and Williams 1989). Little has changed in this respect. Yet Innis's lifetime of scholarship has left an indelible stamp on English Canada's cultural identity. It is a testament to the richness of his vision that every generation of Canadians has been able to see something exceptional, different, and often contradictory in his theory of communications and in what he wrote about Canada in the world economy, and about nationalism. Unquestionably, this is the ultimate compliment and a mark of Innis's importance. No other Canadian scholar of standing can equal his influence across such a wide range of disciplines.¹

There is one further reason why Innis is such a pivotal figure in Canadian social and political thought. His scholarship on Canada's conflicted commercial origins contains the most powerful psychological and social account of the nation's vulnerable place in the global economy and its relations with the United States. With Canada's weak economy dependent on US capital and with no strong national consensus on its future as a nation, Innis was one of the first to see, in the late forties, that no country stood more to lose from the new internationalism than Canada did. It ran the risk "of being boiled in the oil of international competition." As Canada moved into the American century, he predicted that it would be hard pressed to develop new national policies to withstand US influence in domestic affairs. He doubted that the fragile Canadian consensus achieved by nation-building policies during the nineteenth and twentieth centuries would be strong enough to survive the onslaught of international markets.

Innis's account of these events is of crucial significance for an understanding of the way that frontier countries, overspecialized in single staples, are battered by events and forces they cannot control. He was a strong internationalist who believed in having an international order that was stable and equitable. Narrowly based competitive strategies pushed countries to adopt beggar-thy-neigh-

bour policies. Without adequate institutional protection, frontier economies became, in his evocative words, “storm centres to the modern international economy” (Innis 1956, 382). In the later stages of his life, he was increasingly preoccupied with the inability of Western cultural values to be a source of vigorous economic renewal. Every civilization believes in “its uniqueness and superiority over other civilizations,” he wrote. “Each [has] its sacred cows.” But each threatens to silence its critics. “The Middle Ages burned its heretics and the modern age threatens them with atom bombs” (Innis 1951, 139). He doubted that modern civilization, dominated by the machine industry and sophisticated information technologies, had the internal resources to reverse its own decline. It is his acerbic account of the undoing of the modern nation-state (Canada included), in a world increasingly dominated by fanaticism, new communications technologies, and powerful international bureaucracies, that continues to give Innis much contemporary relevance today. In analysing the crisis of Western civilization as a problem of values, he belonged to a select group of academic practitioners who were able to transcend their own immediate time and circumstances by the originality of their scholarship. The agenda he established for himself certainly took him far from his rural roots in southwestern Ontario.

To do justice, therefore, to Innis’s lifetime work as an economic geographer, political economist, and communications theorist requires presenting the full breadth of his scholarship in a single volume. With the world economy now dominating national markets as never before, there is no better way of celebrating Innis’s hundredth birthday than by retracing his multidisciplinary approach to the study of markets, economic development, and cultural change – themes that have lost none of their relevance in the closing decade of the millennium. In all, it is hoped that the appearance of this new edition will be the occasion for Canada’s political, economic, and cultural communities to assess the continuing power and relevance of Harold Innis’s thought.

THE MAN AND HIS IDEAS

More than any other Canadian scholar in recent times, Innis’s prodigious writings on political economy shaped the views of his contemporaries, from Donald Creighton, one of Canada’s most eminent historians, to Marshall McLuhan, a world figure in communications theory. As a leading university administrator, Innis was a moving force in the founding of the Social Science Research Council of

Canada and a key figure in public life while dean of graduate studies at the University of Toronto. Throughout much of his adult life, Harold Adams Innis was Canada’s pre-eminent thinker and theoretician. He had the stature of a Galbraith in public policy; governments beat a path to his door for advice and counsel. As the first Canadian to be appointed chair of the prestigious Department of Political Economy at the University of Toronto, his power was without equal in Canada’s small élite-based university system.

Innis’s scholarship placed him at the frontier of Canadian economics. His historical research engaged the attention of Canadian social scientists because of its unifying concepts. What it offered them was the first systematic analysis of Canada’s origins as an industrial nation. In the words of W.T. Easterbrook, one of his colleagues, the great virtue of the staples approach was that “it rescued Canadian economics from a one-sided preoccupation with narrowly empirical studies of trade, banking, transportation, and related problems and opened the way for sound interpretation of Canada’s ‘Old Industrialism’ of wheat, iron and tariffs (Easterbrook 1959, 96). By the 1940s, Innis had many doubts about the new industrialism and its effect on the Canadian economy. He was one of the first to recognize the difficult problems that emerged with the changing patterns of trade and capital movements. His tough-minded critique of the new sources of power in a continental setting lent added credibility and prestige to his commanding presence both in the university and in public debate.

It is now forgotten just how much of an “insider” Innis was, even though he began life in modest circumstances, coming from a rural background. Born in Otterville, Ontario, he studied at McMaster University and took his doctorate at the University of Chicago in 1922. Thanks to graduate work there, Innis developed lifelong friendships with the leading US economists of the day, including Chester Wright and Jacob Viner. In 1946 he was elected president of the Royal Society of Canada as well as being awarded the Tyrrell Medal, the society’s highest distinction for scholarship. Internationally, he was invited to give the distinguished Beit Lectures at Oxford. He received many honorary degrees throughout Canada and was a visitor to the Collège de France in 1951. During his life he was a member of three royal commissions, and at the height of his influence, in 1952, he was elected president of the American Economic Association. Innis was the first and last non-American to be accorded this highest of honours.²

But it was his pioneering research on economic settlement, national development, and world markets from the sixteenth to

twentieth centuries that established Innis's pre-eminence as a scholar without equal among his contemporaries (Trigger 1992). His most important achievement remains his exhaustive archival research on Canada's place in the global economy. His method was as simple as it was effective; he set out to study actual economic life rather than a facile model of laissez-faire frictionless development. It is important to recall his technique. With the minimum of theory, he developed a practical approach to the larger issue of how frontier economies evolved in the international system. That his labours would result in a staple theory of development came much later and indeed somewhat unexpectedly. As an economic geographer, he was hesitant about generalizations but was fascinated by what his colleague W.A. Mackintosh described as "the broad sociological generalizations on economic development" (Mackintosh 1953, 185). This led him to do something deceptively quite conventional, namely, to understand better how the international economy operated as the motor of Canadian development in each stage of its evolution.

Innis's analytical starting point was not highly distinctive. Others had seen a similar set of forces, structures, and institutions. His spark of originality was to attempt to grasp theoretically the essential condition of a frontier economy, starting with its natural resources and the social framework that organized land, labour, and capital. Both were the determining factors that shaped the character of the Canadian economy. With development so closely tied to the production of major staples, the flow of profits was a reflection of technological advance and the exploitation of new resources. Improvements in transportation would drive costs down and profits up. Wages, too, reflected these highly competitive conditions, even though there were significant variations between different industries at different stages of development. A surplus of workers would depress wages, while workers who could restrict entry into an industry could succeed in obtaining better conditions of work and employment. The principal difficulty that Innis identified early on was that a frontier economy was subject to unpredictable shifts in technology, demand, and price. What he called the "rate of disturbance" had far-reaching consequences on "the extent of profits and losses" and on "the sharpness of the profit motive," to which Innis gave particular importance.³

A distinctive element of the frontier economy was its need for a continual inflow of foreign capital to pay for the infrastructure of its resource-dependent development. This meant that its development would be burdened by high debt charges, which capital

would offload onto labour. Incomes would be highly variable, since producer groups would be subject to the global business cycle. Basically, a country dependent on major staples would find itself subject to pressures from the structure of capital, the technological rigidities resulting from the rapid exploitation of new resources, the price structure of transportation costs, and the inherent characteristics of highly regionalized labour markets.

Using this rather straightforward analytical framework, Innis did something highly original. As an economic historian, he started to chart the underlying currents whose larger significance only emerges over a great span of time. Beginning with furs and cod, and working his way through the staple trades of the nineteenth century – square timber, agricultural products, and wheat – to the present day energy staples of oil and gas, Innis discovered the extent to which the power of commerce left its mark on each phase in the evolution of Canada's social structure. In the process, he ascertained much about the inner workings of capitalist economies and the formation of markets. His historiography gave him a work space that stretched over more than four hundred years. Innis's grasp of the *longue durée* still remains absolutely compelling and refreshing, despite the passage of time.

Innis looked at trade as the locomotive of culture, settlement, social relations, and the organization of production in the global economy (see part I, "Staple Trades, the Rise of Industrialism, and the Expansion of International Markets"). Why did Innis focus so extensively on trade and not simply on production? His short but compelling answer was that trade and not production had been the cutting edge of change in the international economy since the sixteenth century. Since the emergence of modern capitalism from its feudal origins, trade abetted by war had permitted the merchant to widen his scale of operations, quickening turnover and discovering new territories for exploitation. In the words of Lewis Mumford, it was trade that "developed the large scale enterprises and the administrative capacity and method that made it possible to create the industrial system as a whole and weld together its various parts" (Mumford [1934] 1963, 26). Innis, like Mumford, understood that trade was the higher authority that created new markets in the Indies and the Americas for new foods, new cereals, tobacco, furs, wheat, pulp and paper, and so on. It was also the growth of imperial trade that found outlets for the "trash" that was turned out by the eighteenth-century industrial mass-production system.

Thus, for Innis and for others of his generation, the starting point was the fundamental proposition that trade has a powerful

spatial dimension which capitalism utilized ruthlessly to accelerate its penetrative powers, thanks to the extra incentive of commercial profit.⁴ Thus, countries at the periphery were subject to the pervasive and destabilizing force of international commerce and the volatile condition of commodity markets. A country dependent on resources had to rely on its social and political institutions to address the many contradictory changes that accompany technological advance. Innis focused on the spatial frontier, in the largest setting possible, so that the whole history of any given topic could be revealed.

WEALTH AND DEPENDENCE:
INNIS'S CONTRIBUTION TO
MODERN ECONOMIC THOUGHT

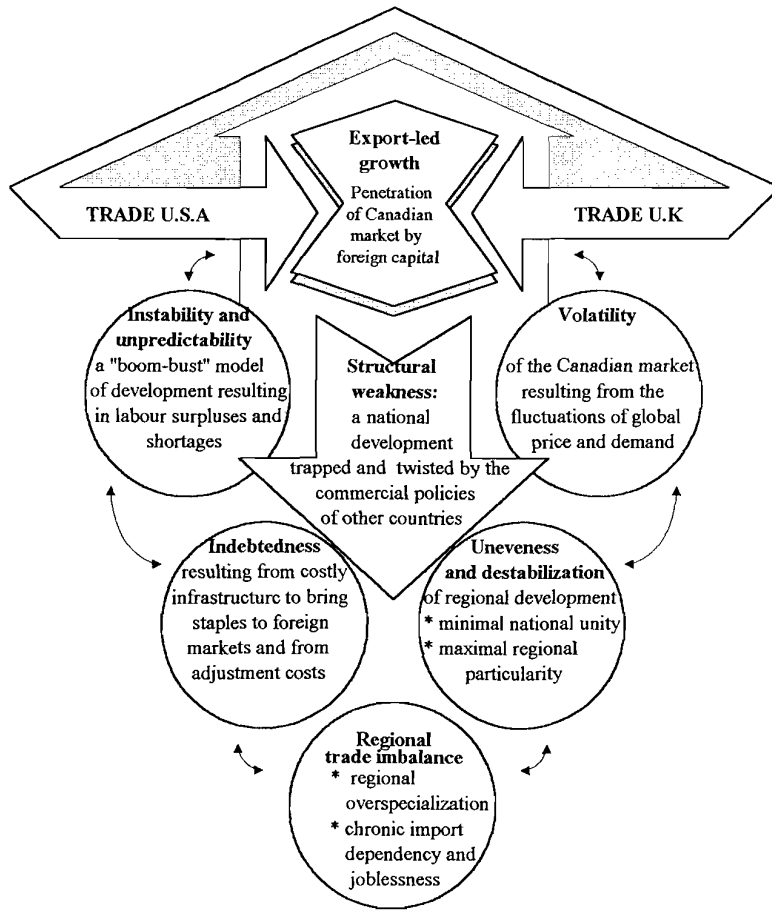
Innis's theory of staple-led development is often regarded as Canada's original contribution to modern economic thought.⁵ In the case of Canada, the staple theory's most powerful claim is that when Canada entered the world system as an advanced country, the backward, forward, and final demand linkages generated by export-led growth remained weak, and import penetration, foreign ownership, and the absence of an indigenous class of entrepreneurs blocked the transformation of the Canadian economy into a fully mature industrial one (Watkins 1963).⁶ At the periphery, the process of capital accumulation marches to the tune of a different drummer. Exogenous forces, or what economists call externalities, set the agenda even when, as in the case of Canada, all the factors favourable for rapid and sustained development are there: a high level of domestic savings, a well-trained workforce, and its own financial institutions (Naylor 1972; Mackintosh 1923). Innis's seminal message was that Canada had a raw deal by exporting every rock and log as fast as it could. In exposing its industries to the global business cycle, Canada paid too high a price. It needed to mobilize its resources in order to build strong industries, deepen its domestic market, and create new and better employment opportunities for all. His study of staple trades came to symbolize this mega-issue of development, which bent and twisted Canada's market behaviour. The problem was structural in origin. As he noted early in the 1930s, it was difficult to find a constructive alternative to "the dangers of fluctuations in the staple commodity" (Innis 1933a, 6). Canada was caught between the strains of competitive commodity markets and the raw power of commerce. Describing this turbulent process, Innis wrote: "No country has swung backwards and for-

wards in response to such factors as improvements in the technique of transportation, exhaustion of raw materials and the advance of industrialism with such violence as Canada" (Innis 1933a, 82). The rapacity of powerful monopolies, the restraints on trade, and rigidities of all kinds had crippling consequences for an economy burdened with debt from railway building and subject to the backflow of interest payments from foreign investment (figure 1).

As long as Canada's orientation had to accommodate the commercial policies of the more advanced metropolises such as Britain and the United States, its development remained trapped by the conflict between local institutions and regional needs, between the intense pressures of indigenous political culture and the conflicting values of colonialism and nationalism, between the constant imposition of imperialist needs on a compliant state and the emergence of strong local markets supporting indigenous development. The story it highlights is that from early to late industrial capitalism and from one resource boom to the next, Canada's social and political arrangements reflected the role of markets in accentuating internal strains. The vast wealth generated from the staple trades went hand in hand with a crippling pattern of commercial dependency that shaped the fundamental condition of Canadian development. The wealth from resources, the revenues from markets, and the benefits from production flowed largely to others. This was because Canada's economic trajectory was subject to the decisions and strategies of states or groups within the dominant industrial countries. Development governed by such external constraints resulted in sudden overspecialization in one or two sectors of the economy while other sectors faced limited growth prospects.

Innis was not by any means the first to point out what was problematic with this strategy. It undermines the emergence of a strong national system of market institutions while supporting strong regional economies that were largely dependent on rapid exploitation of their resource base. Under such conditions, the advanced sectors are not capable of responding to national needs. Rather, they respond to the demands originating from the dominant economies: mineral or agrarian production for export; and the implantation of industries because of a shift in industrial production from the advanced bloc or because of the local strategies of multinational firms intent on capturing local markets. This essential set of circumstances highlights a much deeper problem. In an export-oriented economy, there is no compelling reason why the profits earned by selling resources will lead to investment in domestic manufacturing. In fact, the raw material exported is likely to be

Figure 1
The Staple Theory of Development: Wealth and Dependency



Source: Daniel Drache and Eric Mézin

processed elsewhere and then be imported back into Canada as finished products.

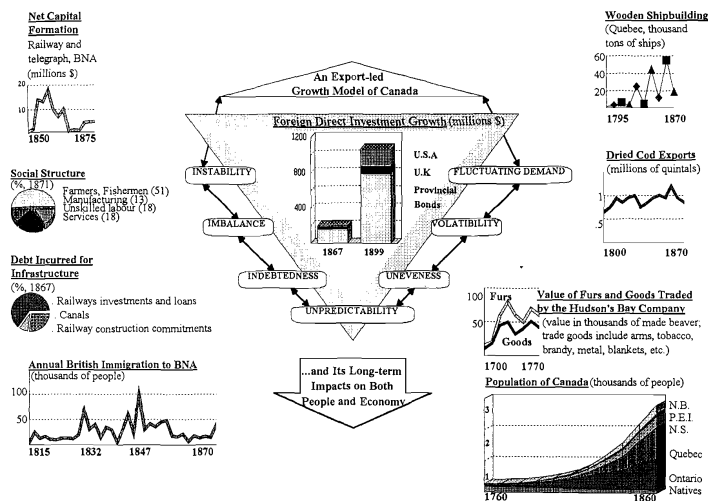
THE UNCONTROLLABLE UPWARD SPIRAL OF DEBT

Innis did not have to look very far to see the evidence of this kind of extroverted development, particularly in terms of capital formation and the establishment of capital markets for local growth. Foreign capital poured into Canada because the staple trades in the nineteenth century were increasingly capital intensive, requiring massive public expenditure on the building of railroads, harbours, canals, and other parts of the infrastructure in order to ship Canada's wealth to foreign markets. But the downside was that public debt mounted in a dizzying upward spiral, forcing governments to mortgage the future to pay for this form of commercially inspired development. Not surprisingly, Innis stressed the fact that the burden of debt as much as exports came to define modern Canada. He had no shortage of evidence to support his claim that debt was the reverse side of the trade-led development (see figure 2).

By the mid-nineteenth century, public authorities had already borrowed a staggering sum of money, more than \$350 million dollars, to pay for the first wave of railway and canal construction in central Canada (Aitken 1961, 28). By 1898, Canada's trade-driven form of development had pushed public authorities back into financial markets on an unprecedented scale. They borrowed more than \$1 billion of foreign capital to finance the construction of the Canadian Pacific Railway and the opening of the West. Most of the debt was held in Great Britain, but US investment in Canada was, from the beginning, very different and equally significant. It took the form of direct investment for the purchase of land, timber, or mineral rights as well as the establishment of branch plants and corporate subsidiaries. In 1867, US direct investment in Canada's industrial sector stood at about \$15 million, and by the end of 1899 it had soared to \$160 million. In the following period Canada, with its tiny population and massive resource base, absorbed another \$2.5 billion of capital inflow from the United States and Britain. By 1914, total foreign capital in Canada was three times the record-high 1900 level, mostly for infrastructural development (ibid., 36).

However, the most important new development was not at all infrastructural. US capital had discovered Canada's industrial potential and had concentrated its investment frontier in Canada's nascent industries. It invested strategically in the modern sectors of the

Figure 2
The Dynamics of Staple-Led Development



Source: Daniel Drache and Eric Mézin
Adapted from McIlwraith (1990); Aitken (1961); Norrie and Owram (1951); Rowell-Sirois Report (1940); Harris (1987), 60.

economy and in Canada's huge resource base, especially industrial minerals, pulp and paper, and oil production. Aitken writes that "Canada by 1914 had received more United States investment than any other part of the world, though Mexico was not far behind" (37). The result was that Canada, even at the height of its nation-building project, was soon to become a northern extension of the powerful US economy. Here was a classic instance of markets having intended consequences, given the persistence and power of US capital in Canadian affairs. What also struck Innis as particularly dangerous and shortsighted were the inherent risks of this export development strategy. The most problematic was the growing disparity between the burden of public indebtedness and the capacity of the economy to pay the high costs of resource development. While the problem was simple to identify, it was apparently impossible for public authority to correct.

Canada's long-term debt was financed by a fixed schedule to repay the loans to British and American financiers. Interest and debt charges had to be paid whatever the expectation of revenues from the sale of Canada's resources abroad. By contrast, the price for Canadian resources was subject to unpredictable fluctuations as world demand continually shifted and as prices rose and fell accordingly. The consequences were immediate and often dramatic. They left Canada's public finances in a constant state of disarray. When government revenues fell in the downswing of the business cycle, the public authorities had to scramble to find new funds either by negotiating new loans to cover the old (which they did as much as markets would bear) or by finding new revenues to cover the increased costs of borrowing. Money-starved governments sold off timber and mineral rights to help pay for railway subsidies, public institutions, public works, and even hospitals. Whenever a provincial treasurer required additional revenue, the commissioner of crown lands simply auctioned off another stand of timber limits. The Ontario government was not alone in this practice. Nelles recounts how it worked – and evidently worked so well as to keep the Ontario provincial government solvent: "Edward Blake's ministry parted with 5,031 square miles [of timber] in one year, and over the next twenty years Oliver Mowat disposed of 4,234 square miles. Between 1867 and 1899 bonuses, dues and ground rent from the lumber industry produced in excess of \$29 million, or approximately 28 percent of the total provincial revenue. Only the federal subsidy brought in a larger sum" (Nelles 1974, 18).

Nationally, the federal government had its own response to paying the resource infrastructure bill. It imposed a consumption tax

via the tariff. Since so much government revenue came from the tariff well into the first three decades of the twentieth century, the tariff became a de facto tax on consumption paid for by farmers and ordinary Canadians. It depressed their income and guaranteed huge profits for Canada's emerging industries. In an age when corporate taxation was minimal, it is not difficult to see why Innis became an outspoken critic of this clumsy tool of nation building, which put the public purse at ready for private gain. Canada found itself in an impossible position, and Innis drew the conclusion that "industrialism has provided [Canada] an abundance of goods but not the first luxury of security."

THE STAPLE TRAP AND GOVERNMENT POLICY

For Innis's generation (like the present generation), indebtedness became the public issue par excellence that constantly sapped governments' energies and taxed their management ability to the limit. More than any other issue, the debt burden came to symbolize the deep malaise of an economy organized around the large-scale production of single staples. For Innis, the blocked condition of Canada's development by an ensemble of forces, internationally and domestically, held crucial significance for an understanding of cyclical and secular disturbances, not within Canada but without. He identified countries at the margin as the "storm centres to the modern international economy," because without strong market institutions they stood little chance when "bombarded by the violent intensity of the international economy." A growth dynamic centred on paying the fixed costs of indebtedness would only push Canadian governments to do more of the same – more exports, more foreign direct investment, more public indebtedness – in the vain hope of breaking the cycle. At the end of the day, this form of government intervention could only result in greater regional inequality, because Canada's much-praised nation-building instrument, the tariff, had succeeded remarkably well in forcing US industries to set up subsidiary operations in central Canada if they wanted to have access to the market; and with a made-in-Canada branch-plant industry concentrated in Ontario for low-end manufacturing industries, all that remained for the rest of the country was to put its shoulder to the wheel and pump out world-class staples for processing abroad.

If this basic configuration begins to explain the complex process of development in Canada, Innis never thought it was the whole

story. It was simply the starting point to situate local development, regional growth, the building of a transportation system, the emergence of a service economy, the establishment of a modern system of industrial relations, the broadening and deepening of labour and financial markets, the rapid diffusion of technology, and the appearance of a modern state with a full panoply of regulatory institutions, including an elaborate social policy. Innis reasoned that all these non-trade kinds of factors had to be taken into account. Later, these powerful transformative forces would modify the structures and institutions of the market and state, and would give Canada the patina of modernity, prosperity, and development. There was, however, a discernable thread of continuity in this sea of change.

Innis rejected the belief that Canada had left behind its crude laissez-faire origins. For him, there was too much evidence of continuity between the old staples order and the new industrial age. By contrast, the eminent economic historian W.A. Mackintosh held the optimistic view that export-led growth had indeed freed Canada of its colonial origins and had provided a solid basis for nation building. Writing in the twenties, he said that "nothing is more typical of colonial development than the restless increasing search for staples which would permit the pioneer community to come into close contact with the commercial world and leave behind the disabilities of a pioneer existence" (Mackintosh 1923, 4). He was so confident that Canada's economic apprenticeship as a commercial colony was virtually over and that the transition to a fully industrialized one was nearly complete that he summed up Canada's prospects in one of the most famous sentences he ever wrote: "[We were] a people facing the prosaic obstacles of a colonial existence, developing national traits, and winning through to nationhood" (15).

This judgment was wrong not because of its optimism but because of Mackintosh's inability to grasp a fundamental truth – the underlying vulnerability of Canadian expansion to sudden change in world markets. By contrast, Innis's theory of the staples cuts to the quick and explains why even when Canada was swept headlong into the age of industrialization and mass production, its development was still subject to the staples trap.

Innis and others recognized that the vast project of settling the West was not based on Robinson Crusoe methods, with pioneer settlers who were self-sufficient farm families providing for all their own needs. The truth was very far from this idyll. The family economy was embedded in all forms of market activity, much of it directly dependent on women selling all kinds of home products in local

markets (Cohen 1988). Not only was women's labour expropriated for the process of capital accumulation, as modern feminist scholarship stresses, but the West became a vast frontier of capital accumulation. Goods were bought; equipment was purchased; financing of farm operations had to be arranged. Financial institutions responded to this need for a money economy. The puzzle is that Canadian governments failed to seize all the commercial and industrial advantages to build a much stronger national economy when the opportunity to do so was there. Yet Innis did not find this surprising. There was too much economic haemorrhaging as a result of indebtedness, too great a loss of out-migration as a result of viable employment, and too little consensus to build an integrated and independent economy on the northern half of the continent when all the regions and classes were pitted against one another in their efforts to gain their "allotted" share in the scramble for development.

Innis was struck by how much of Canada's old pattern of development had remained unaltered by this era of nation-building. Why had this occurred? Innis's answer remains the most prescient and powerful that Canadian scholarship has ever found. The foundations of modern Canada were weak, he reasoned, because the country was designed to fit the ebb and flow of commercialism. Wherever the élites did business, they, not geography, defined Canada's "natural boundaries." Historians, such as Carl Berger, who think that Innis was a kind of crude environmental determinist, have got it all wrong. It was not Innis's view that Canada's development was shaped by "inescapable and anonymous forces" (Berger 1976, 94). Innis had a sophisticated understanding of price rigidities and the business cycle that provides the most convincing explanation of the developmental prospects of a frontier economy in the international order (Drache 1982). Historians such as Berger have failed to understand Innis's grasp of the pivotal role of structures and agents in shaping modern economic life. To Innis, among others, geography was one such powerful structure, which constantly interacted with other principal economic forces (such as élites, technology, primary producers, labour markets, and so on). When the flow of economic life reversed direction, market structures and even the economy had to be realigned. The key to it was the way market forces had generated the need for new state forms. Innis had no shortage of examples to illustrate his basic proposition that economics, in all its many facets, had a powerful grip in setting the course of Canada's political life.

In the eighteenth century, the Hudson's Bay Company, a transnational giant, became the prototype of the latter-day Canadian

nation-state, spanning a continent from east to west. The Bay succeeded, as no other monopoly had done, in inventing a structure to organize the fur trade and govern the interior of what would become Canada. Here, for Innis, was the prototypical federalist structure which Canada had adapted and inherited from its colonial past: a model of local decentralization, controlled by a small élite, spanning a continent, and run from distant London. The purchase of the HBC territories in 1870 by the new Government of Canada "was a revolution in the very nature of Canadian federation. It transformed the original Dominion from a federation of equal provinces ... into a veritable empire in its own right with a domain of public lands five times the area of the original Dominion under direct federal administration" (Martin 1938, 223). With the revenues from public lands, Canada's nascent entrepreneurs were enticed to become nation builders for the rest of the nineteenth century – and for a good part of the twentieth century as well. But in 1945, when the demand for Canada's resources pushed the economy unmistakably southwards in a continental direction, Canada's business leaders took their cue and looked again to an export-led strategy as the first choice for wealth generation. Economic nation-building was gradually put on the back burner. The problem that confronted Canadian policy makers was how to accommodate the old drive of commercialism (premised on price competition, low-cost resources, and cheap components parts destined for the American market) within the new Keynesian-style framework, which required more state regulation and a new standing for labour.

KEYNES PLUS STAPLES: THE WEAKEST LINK

The idea that the Canadian state would use its economic power for social and political purposes was hardly revolutionary. All governments shape markets to fit the demands of economic life. For Innis, the question of power – or, to be more precise, the inequality that flowed from the social relations of staples production – became central to his view of state-market relations in Canada. He realized that the market, left to its own devices, had no mechanism to correct for income inequality in a highly open economy. Individual employers were able to rely on volatile market conditions to browbeat workers into low-wage, low-benefit situations. With wages so price sensitive in an open economy, incomes rose when Canada was a price setter for its resources in international markets. But when the bottom dropped out of the business cycle, this momentum was

not sustainable in a boom-bust economy. Since demand had softened, incomes fell precipitously. Declining real incomes, coupled with widespread unemployment, kept Canadian wage levels as much as 40 per cent lower than their US counterparts right into the 1950s (Drache 1984). The fallout from this deep business cycle was, of course, much broader. With workers having no institutional means of participating in a mass consumer society, wage rates were too erratic to sustain consumer demand.

For Innis, like many others, the Keynesian policy revolution seemed to depart from the crude model of staple-led growth that had been so much in evidence in the nineteenth and early twentieth centuries; but at least it offered an alternative to the traditional market model premised on universal laws of supply and demand. The Keynesian revolution proposed an alternative growth model, which arose from the ashes of the Depression and from the promises of a new order that had been made to workers during the war. The 1945 Speech from the Throne declared that “a national minimum of social security and human welfare should be advanced as rapidly as possible. Such a national minimum contemplates useful employment for all who are willing to work: standards of nutrition and housing adequate to ensure the health of the whole population; and social insurance against privation resulting from unemployment, from accident, from the death of the breadwinner, from ill-health and from old age” (Drache and Glasbeek 1992, 18).

At the same time, however, Canada’s policy makers reaffirmed that there would be a continuation of resource-based strategies. The maintenance of the export of resources was the very antithesis of Keynesian notions of supply and demand control. Keynesian strategies do not depend on trade as the primary means of promoting growth. Rather, the idea is to have as many goods and services as possible produced domestically by ensuring high enough wage levels to create a strong demand for these locally produced goods and services. By contrast, export-led growth policies depend on fostering the willingness of foreign and domestic entrepreneurs to invest their capital and technological know-how in the commodities-exporting country. Development relies on being able to attract both the technology and the capital to support high levels of growth.

These two ideal types were bound to clash and vie for dominance in postwar Canada. Innis was sceptical about the prospects for renewal and a new beginning. He remained convinced that Canada’s “delicately balanced economy,” which had been built up in competition with the United States and had “more than once

crashed through ill-designed machinery,” was again in trouble. The Canadian government had too many illusions about itself and its capacity for it to read accurately and respond intelligently to the kinds of danger posed by the new international economy. Innis warned that without public leadership, Canada was “in danger of being burned at the stake of [its] natural resources” (Innis 1956).

His many different studies point to the fact that the principal market actor, the profit-maximizing corporation – the so-called engine of modernity – has a different profit-logic in the guise of a branch plant (Hymer 1975). It does not have the autonomy to be innovative independently of the home office; it is not mandated to develop economies of scale to compete for export markets; nor is it in a position to mount its own investment strategy. In sum, the branch plant is a truncated enterprise deployed by a transnational parent in order to capture local markets.⁷

What, then, is Innis’s central message for economic and social development? The transcendent themes that emerge from his critique of liberal political economy are, first, the continual marginalization of the producers of wealth, beginning with Canada’s aboriginal peoples in the fur trade and extending to the small individual commodity producers of the wheat economy and to Canada’s resource proletariat, the rural population and the industrial working classes; secondly, the continental pressure on Canada’s permeable borders, intensified by the building of the railway and the flow of commerce north-south. The continental drift from financial markets eventually undermined the prodigious efforts at nation building. In particular, this trend reinforced the growing presence of foreign investment, enabling it to play an ever larger role as Canada moved into the industrial age at the beginning of the twentieth century. Not surprisingly, powerful foreign interests retarded the emergence of a powerful class of indigenous entrepreneurs. Finally, the highly competitive and fragmented presence of labour markets also fragmented working-class solidarity and undermined labour’s organizational drives.

This intense focus on the structural obstacles to development explains Innis’s importance to Canada’s political economy tradition. A liberal political economist, Innis wrote better than he knew.⁸ His interest in the structure, evolution, and behaviour of markets transformed him into an institutional economist, who approached the study of economics from the perspective that markets had to be organized and economic space shaped by both public and private means (Boyer 1991). In conceptualizing production and social relations in this way, he provided Canadian social science with its

first modern account of state policy, market logic, and economic development.

That Innis acquired this institutionalist perspective is not surprising. He belonged to a brilliant interwar generation of scientific scholars, who numbered in their ranks such pre-eminent thinkers as Sombart, Polanyi, Keynes, Kroeber, Perroux, Toynbee, Weber, Childe, Tawney, and Mumford.⁹ If there was a common thread to this golden age of marxism and liberalism, it was the profound conviction that capitalism, for all its dynamism, would eventually succumb to decay, crisis, and collapse.¹⁰

MARKETS AND CULTURAL CHANGE: THE CORE INNISIAN LEGACY

Innis's perspective on these matters was a product of his own uniquely Canadian background. The constant factor in his thinking was his scepticism about the capacity of grand economic theory, particularly of a liberal variety, to understand complicated issues such as the way markets respond to volatile changes in price and demand. What he saw instead was that the principal mechanism of wealth creation was an incredibly complex institution, the product of history, collective practice, and social convention. Markets were not what they seemed. Buyers and sellers did not respond to market signals in the way economic theory depicted. Rather, the self-regulating market was subject to competitive, technological, and institutional pressures. It did not conform to any given set of abstract universal laws, as many conventional economists posited, nor was it a spontaneously self-regulating mechanism in the way neoclassical economics traditionally asserted. Herein lies the conundrum. Why did Innis contend that the market, the chosen instrument of wealth creation, was the storm centre for all kinds of technological, cultural, and political change?

MARKETS: THE IDEA OF DISCONTINUOUS ECONOMIC SPACE

The Interconnective and Principal Aspects of Market

The terms "market" and "market relations" are ambiguous and can be used in many different contexts (Boyer 1991). The Saturday morning farmers' market, where buyer and seller haggle one on one, has little in common with the complex structure of a modern

financial market or with the organization of a modern stock exchange, where hundreds of millions of dollars are traded daily. Similarly, a highly diversified consumer market, where giant corporations compete for the consumer dollar through advertising, price competition, and service, is a world apart from a transaction undertaken by the individual consumer who goes to buy a car or a television set. Yet in liberal thought, there is no difference between them. A market is a market *tout court*, and market behaviour is a kind of black box, whose content does not need to be examined closely.

The assumption of neoclassical economists is that universal price signals serve the interests of all actors. In theory, markets are free of the taint of class, history, race, and gender, and are places where parties of equal status respond to basic price signals in the same discrete, impersonal, and neutral way. Market transactions are organized on an impartial, voluntary, arm's-length basis, which ensures optimal outcomes without fear of retribution. Yet this conventional presentation of the market logic underpinning growth and development begs an essential question; for if markets for Canada's staples operated no differently than any other market, there would be no need for any "staples thesis" or for any particular explanation of Canada's (or any other country's) developmental trajectory (Rotstein 1977, 9).

What set Innis apart from his more orthodox contemporaries was his adamant conviction that "Canada's problems cannot be answered in terms of the economics of older countries (Innis 1956, 10). His original idea was that markets are a complex response to production, business organization, technological advance, international finance, entrepreneurship, geography, religious practice, consumer spending, and public need. They are not constructed as some kind of one-dimensional space but are constituted by sets of opposite and competing characteristics: competitive or monopolistic; open or closed; fragmentary or unified; regional, national, or global; public or private; regulated or unregulated; symbolic or real; stable or highly volatile. Far from accepting the "market" as an abstract entity, Innis preferred to study the dynamics and interactivity of markets as real entities in time, which produced unpredictable outcomes under the best conditions and which were not subject to invariable universal laws of supply and demand in the worst of times.

The idea that markets have multiple, continuous, and contradictory effects and hence are unstable structures and are subject to the constant need for organization and reorganization arises from the fact that they emerge out of social relationships. Innis's main in-

Table 1
A Matrix of Market Dynamics

<i>Factors</i>	<i>Internal</i>	<i>External</i>
structure	competitive	monopolistic
location	national/regional	global/continental
organization	unified	fragmentary
wealth creation	public	private
mode of state	high-degree	low-degree
regulation	intervention	intervention
trade	protected	open
commodity	real economy	symbol economy,
	resources, capital,	foreign investment,
	money/information,	currency flows,
	land, labour	futures markets
price system	stable	volatile

sight is that the principal mechanism of economic life was both socially determined and historically constructed under different conditions of production in different historical circumstances (see, in particular, the following essays in this volume: “The Penetrative Powers of the Price System on New World States,” “The Place of Land in North American Federations,” and “Great Britain, the United States, and Canada”). Markets are like open-ended social spaces constantly subject to spontaneous countermovements by producers, consumers, owners, workers, and government, who are threatened by the price system’s rapacious excesses.¹¹ When the price system does not work *ex mirabilis*, society relies on the state to find ways of stabilizing it and the larger economy.

That Innis turned to the language and concepts of political economy to compose his ideas may have had much to do with the fact that in Canada economic life has always had a strong institutional dimension. It is also the case that, like Keynes and others who subscribed to a larger view of economics, Innis saw the real connections between economics, culture, wealth, and welfare (Skidelsky 1992). For political economists of this persuasion, material prosperity could not be taken for granted. Business activity had only one objective: to make a quick profit, the quicker the better. By contrast, the aim of contemporary statecraft was to make society better off materially while also enhancing its social values. As a political economist, Innis subscribed to the belief that development had a higher goal than the accumulation of individual wealth. Thus, it is not surprising that he had little difficulty in shrugging off the orthodox liberal economic thought of the interwar period, which was mired in crude *laissez-faire* economics. His main preoccupation was to explain the way the institutional side of economic life is used to counter the highly erratic nature of market outcomes. For ex-

ample, small-sale individual commodity production will by definition be competitive, fluid, and driven by price considerations, whereas large-scale industrial production, involving a handful of dominant firms that are vertically integrated, will support monopoly pricing practices and will restrict competition, engage in predatory market strategies, and seek protection from the state.

Hence, Innis had no difficulty in coming to the realization that the general dynamics that arise from exchange relations and the process of accumulation take different forms depending on the stage of development and the balance of forces between the internal and external market. This is also why commerce takes on such a central role in Innis’s concept of market formation. Trade is such a megaforce because it can be conducted on liberal principles of openness or organized on a closed basis such as mercantilism. An economy without any tariff protection risks sacrificing its industries on the altar of competition, but a developmental process dominated by a set of narrowly protectionist policies without strong governmental oversight is a burden on consumers (Burton 1938; Innis 1946). National policies, too, were of critical importance to Innis because without strong and effective national measures, domestic markets cannot be integrated to serve national needs; they remain local and fragmented.

Innis’s own studies confirm a basic lesson of economic history. Too open an economy enables foreign corporations to capture an ever-increasing share of local markets and to destroy indigenous Canadian firms; yet too closed an economy also has high costs, for it deprives Canada of much-needed technology transfers and foreign investment (see the essays in part 3, “Metropolitanism, Nationality, and the Crisis of Industrialism”). The answer to this dilemma, for Innis and others of his generation, was that the modern state had to have the means of creating a national system of production and exchange out of a fragmented mix of poorly integrated regional economies. (Tariffs had served this function in the nineteenth century.) Also, other policies were needed to stabilize the spatial aspects of supply and demand in the twentieth century (Hirshman 1958; see also part 3 of this volume).

The Virtues of the Domestic Market versus the Power of International Markets

Innis could not stress strongly enough that internal markets respond to a different logic and set of needs than externally based systems of exchange. This occurs because the international price

mechanism is volatile and subject to violence and instability in income fluctuation. These fluctuations prove to be so detrimental to producers and the public at large that they cannot be tolerated. Even in a free enterprise system generated by the search for profits, the market needs non-market institutions to oversee it. This requires that government strengthen its regulatory norms by creating agencies, boards, and commissions to ensure that the tension between society and the economy is redressed.

Public regulation of private markets is therefore essential to protect the well-being of people and, from a long-term perspective, to shape private enterprise to conform to national needs. A strong public presence in the economy protects society against the avaricious behaviour of corporations and private actors. Public policy must have two sides to it. For the private sector, the regulatory dimension is crucial. The state has to address a basic question: Can the market operate efficiently with a low level of regulation? If the answer is no, regulatory norms must be tightened and the penalty for noncompliance increased. For public policy, it is equally important for government to tackle a second question: Does the state have sufficient regulatory instruments to correct supply-side and demand-side market imperfections as well as wielding enough power over the private sector's investment strategy?¹² Here, too, Innis saw that there was a pressing need for the state to be a counterweight to business.

His approach to economic history underscores the fact that development, in the broad sense of this term, is contingent on a mix of structural variables. At one extreme, Canadian development remains even to this day dependent on private markets for wealth creation, which is mainly organized by giant monopolies such as the CPR, a handful of corporate banking interests, mining conglomerates of all description, retail giants, food processing monopolies, and the like (Innis 1930; 1946). At the other extreme, there is the alternative model of public wealth creation, using state intervention to redress regional and distributional inequality and to compensate for the fact that all kinds of commodity markets suffer from specific injustices and abuses of monopoly and that, in a largely rural and agrarian economy organized around the needs of small commodity producers, consumers and producers soon find that the market is rigged against them. Thus, the road to economic freedom does not lead automatically to political liberty. Indeed, the reverse is true. "The development of advertising and mass propaganda masquerading as education compel the consent of the governed" (Innis 1946, 143). The central economic question for Innis was finally the

problem of power. Economic liberty, he maintained, has provided "the basis for encroachment on civil liberty," and the growth of the modern state is controlled by "irreconcilable minorities" whose desire for power over others is always in the final analysis a threat to society (135).

*Staples: Why This Form of Commodity
Production Becomes the Flashpoint for Both
the "Real" and the "Symbolic" Economies*

The staples form of development is a particularly brutal example of commodity markets writ large. As a theoretical concept, the staple is usually thought of as a kind of shorthand for describing the social and economic relations of production, settlement, and commerce. It is not by chance that Innis and others chose the word. It is a precise term, loaded with historical and social importance, and dating back to fourteenth-century England. The concept has two parts, one dealing with the state regulation of the labour market and the other dealing with trade. Not surprisingly, the two market outcomes are premised on completely contradictory principles.

With respect to labour, feudal landlords, freemen, and others had been able to acquire land at cheap prices as private ownership of land spread. But when labour was in short supply after the deadly bubonic plague swept across Europe, wages rose, and the landowners believed that those working the land were asking too much. Their protests against the high labour costs bore results. Following the Black Death, the Statute of Labourers was passed in Parliament in 1351, stipulating that wages were no longer to be freely determined by supply and demand but were to be regulated by the courts and justices, the instrumental arms of the state (Pentland 1981).

On the trade front, the king had given a monopoly of wool exports to a small group of merchants of the Staple – an oligarchy of rich merchants who sold their goods through "a single mart or *Staple*," usually across the Channel. Since the trade was organized on a monopoly basis, the merchants had the exclusive right to trade the leading staple for export. The system was also advantageous to the crown, because it gave the king a steady revenue from the customs duties and ensured the loyalty of the rich traders, who could be relied on to make him large loans in time of war. But the monopoly always proved difficult to uphold, because it discriminated against local producers and, in particular, because it angered the smaller traders, who were prohibited from selling their wool locally. By 1353, merchants had obtained a new Ordinance in Parlia-

ment that permitted local trading. The once-powerful “mart of merchants” were thus forced to share their monopoly privileges with others.¹³

The central theoretical point of the term “staple” was not lost on Innis. Historically, the key export sector was organized on a monopoly footing. The contrast in norms and practices with labour markets was striking. Competitive markets for labour were harshly regulated by the state to favour owners of private property. Unions were deemed illegal for almost four hundred years; striking was a criminal activity until the twentieth century; and labour protection standards were ineffective and inadequate, and their enforcement notoriously lax for most of modernity (Hay 1975).

The generalization that Innis drew from this period taught him a singular lesson: the state and not the entrepreneur created the “prototypical market” by restricting access to it. Despite its much-vaunted flexibility and capacity for adjustment it was force, not reason, that dictated the extension of the free market. Thus, liberal society paid a high price when it imposed the market mechanism on society. Innis soon realized that the emergence of the market, in all its intricacy, drove a wedge between internal need and external demand. This insight into the interplay of forces organized around the exploitation and production of resources for external markets remains Innis’s basic contribution to Canadian social science. Canada, he predicted, would find itself subject to volatile changes in international price and demand, and it would be subject to the restrictive policies of other countries. Thus, it would not be able to consolidate indigenous change when it occurred.

These different economic obstacles explain Innis’s inherent scepticism about the ability of modern liberal capitalism to deliver its most appealing promise: efficiency and development.¹⁴ As we have already seen, the shift from one staple to the next did not occur easily or automatically (see particularly the essays in part 2, “Resources and Regionalism: The Origins of Modern Canada”). Despite its “animal spirits,” Innis was pessimistic about the ability of capitalism to surmount its limitations and recurring crises.

The basic problem was systemic and structural. Capitalism developed in fits and starts. It was a system of crisis, boom and bust, which rendered markets unpredictable and caused them to operate at less than optimum levels in the vast economic space of so-called new countries. In each period, this kind of stop-and-start development brought with it the disproportionate costs of adjustment: predictable job loss in the downturn of the business cycle; highly unstable labour markets in the seasonal fishing, timber, and construc-

tion industries, in particular; and, in the absence of well-developed industries, the constant out-migration of peoples (Innis 1936b).

Regional economies suffered the most from this form of development because of their narrow specialization in exporting unprocessed commodities. Destabilizing effects were magnified by the intensity and volatility of external market forces, which operated outside effective state regulation. For Innis, this last point was crucial. Market liberalism without regulation promotes imperfect competition at the expense of a model of general equilibrium.¹⁵

Economic theory worked out in the older industrialized countries had no adequate answer why market freedom could not easily be reconciled with economic stability. It was flawed because it did not make any distinction between the price system and other institutions in the economy. Markets could not be, and never were, closed idyllic systems of self-organizing autonomous entities. Rather, they needed the institutional muscle of the state to guarantee peaceful conditions of law and order; they required the active presence of the courts to settle disputes, enforce contracts, and protect property owners. The social and economic relations of the staple trade came to symbolize the full gamut of institutional forms of market activity. The question Innis raised remains germane today. If the market mechanism is not a functional tool for national order, how does local development take hold and flourish?

Innis’s analysis of the fur trade highlights the unintended yet immediately brutal consequences of real and symbolic markets on the producers of wealth. Here is the most powerful illustration of his view of the social dynamics of markets. The fur trade exemplifies the way international markets create the preconditions for internal markets, where monopoly rather than a pure model of competition prevails and where the pattern of development is based on intense but short-lived booms of resource development.

*The Social Dynamics of the Fur Trade:
Luxury Consumption and Genocide*

Innis described the history of the fur trade in North America as a “retreat in the face of settlement” (Innis [1930] 1956, 386). Rightly, *The Fur Trade in Canada* has become one of the classics of economic history. It illustrates Innis’s great talent for historical research, field work, and the use of the most unconventional sources (Mackintosh 1953, 187). The story is one in which the control of the fur trade is an index of global rivalry and cultural change for the consumption of luxuries.

For the first two hundred years, the fur trade relied on the indigenous labour of Canada's aboriginal peoples. Natives were required to go into the interior and bring fur pelts to the trading posts. This system supported a complex set of relations between the aboriginal peoples, the settlers, and the imperial authorities. The internal trade relied on the skills and initiative of the native trader in carrying on trade with remote tribes. Canada's first peoples were its trappers, middlemen, and labourers in the transportation of bulky cargoes of furs across the length of the continent. The fur trade's organization followed the grooves of economic geography into the interior: "Trade from Quebec and Montreal with canoes up the Ottawa to Michilimackinac, La Baye, and Lake Superior could be financed with relatively small quantities of capital ... Further extension of trade through Lake Superior by Grand Portage ... to Lake Winnipeg, the Saskatchewan, Athabasca, the Mackenzie River, and New Caledonia and the Pacific coast" (ibid. 390).

From the start, the fur trade was organized as a monopoly of the English and French monarchies. Despite this, the native traders quickly learned to exploit their strategic position in it. They saw that prices for traded pelts rose when the fur barons faced tough competition from rival companies. When the Hudson's Bay Company's monopoly was broken by fierce competition from the North-West Company, prices rose and the native people bargained from a position of strength (Rotstein 1977; Trigger 1985). Conversely, their bargaining power – and thus the price paid for their furs – declined dramatically when the Hudson's Bay Company was able to establish its monopoly position by destroying its rivals (Ray 1974). However, the fact that Britain and France relied on aboriginal tribes as allies in wars against other imperial rivals, as well as for extending the lines of commerce through the interior of North America to the Pacific Coast, gave the aboriginal peoples bargaining power with the colonial authorities. Thus, the chain of dependency did not run in only one direction. While the North American natives proved to have an insatiable demand for the more elaborate goods and commodities of Europeans, the Europeans relied on the full cooperation of the different tribes, without which the fur trade could never have spread across the continent.

But wealth there was, even though "a colony engaged in the fur trade was not in a position to develop industries to compete with manufactures of the mother country" (Innis [1930] 1956, 391). Despite the absence of industry, the profits were immense. It was not uncommon in the early period for these state fur-trading monopolies to have a return of more than five fold or better on

their original investments. Monopoly profits were earned, and the vast sums of money realized by the Hudson's Bay Company and other fur-trading monopolies flowed back to London, Paris, and New York.

In time, the fur trade changed markedly as the demand for high-quality beaver hats exhausted the ready sources of supply in the St Lawrence basin. Pushed by commercial rivalry, market-based relations gradually spread to the interior by the early 1800s. Other changes followed. Canadian and British interests began using local labour, thus displacing reliance on native peoples. Merchants recruited the *coureurs de bois*, the fabled Quebec small producers or landless day labourers, to travel to the interior by canoe, returning with full loads of furs.

The price mechanism of the market reflected these complex sets of relations. In this setting, the British crown was forced to sign treaties with the First Nations, treaties that exist to this day and provide Canada's aboriginal peoples with powerful legal entitlement. Unlike their American counterparts, Canada's aboriginal people did not cede their rights to the land; they were allies, not defeated peoples. The British accepted fiduciary responsibility for their well-being and agreed to provide for their future. Despite these legal and political undertakings, when the imperial authorities had no further strategic need for Canada's aboriginal nations, the native people were driven from their lands by the European immigrants who settled there. When the fur trade declined in economic importance, the native people were abandoned by their former colonial and imperial allies and were forced to migrate to the interior or to go on reserves, where the survivors were soon decimated by disease, poverty, and alcoholism.

The ensuing cultural conflict between European and aboriginal peoples stretched from the sixteenth century to the twentieth and had a genocidal impact on the original inhabitants of the New World. Their inherent right of self-government was never extinguished, but neither was it recognized in the founding of Canada. Despite this, Canada is composed of three national identities, which have continued to coexist, however uneasily: the English, the French, and the First Nations. The result is fully paradoxical. Such distinctive identifications and aspirations have had to find ways of being reconciled, but it has taken more than four hundred years for English and French Canadians to come to the fundamental realization that "the Indian and his culture were fundamental to the growth of Canadian institutions" (Innis [1930] 1956, 392).

For Innis, the story of the fur trade did not end there. He feared that Canada did not have the social traditions to overcome the

deep divisions generated by its particularly brutal form of resource capitalism. He recognized that Canada remained a colony long after its colonial origins were formally behind it and that part of its failure stemmed from its inability to build on its own traditions and to accord full political rights to its founding peoples.¹⁶ This blind spot in the Canadian political psyche was rooted in the centralization of commercial and industrial organization of an earlier period and in the imperial concept of the nation-state that is hierarchical, exclusionary, and European.

Canada was indeed marked by its commercial origins: the lure of an extra incentive for profit. Yet the fate of British North America and modern Canada was never left to the free sweep of forces determined either by the environment or by the powerful logic of markets. Canada's position in the world economy has been marked by the fact that it is simultaneously rich and underdeveloped by the dynamics of export-led growth, supporting a mature capitalist economy with many structural weaknesses. An institutionalist reading would stress that the principal feature of Canadian development is the drive to balance two conflicting goals: negotiating reciprocity with foreign powers and the need to expand and deepen the domestic market. This involves a complex strategy of simultaneously attempting to look outward and inward. The pressure to produce for domestic consumption is thus countered by the pull of external markets.

The legacy of staple-led development rooted in powerful regional economies explains why social cohesion Canada-wide is weak while regional identification is very pronounced. Regional oppositional agrarian movements gravitated towards populist rather than broad-visioned class-based solutions – policies that would have required a high degree of social solidarity (Drache 1984).

Innis had no doubt that these kinds of dynamics had their origins in the particularity of the way Canada had developed serving three volatile markets: one that was internal but highly regionalized; a second that was continental, reinforcing a static comparative advantage; and a third that was centred on the financial power of the more advanced economies. It is no wonder, then, that the unceasing pressure from continentalism forced him to see with unwavering clarity that the geographic unity of Canada, based on the early fur trade routes, became conspicuous by its absence in the age of industrialism. Nonetheless, he always believed that however difficult it was, a self-defensive nationalism was one of the few political instruments that Canadians had to stabilize their political system when faced with the “change from British imperialism to American imperialism” (Innis 1956, 404).

*Markets and Cultural Change:
Innis's Global Critique*

It was Innis's work on the history of communications that finally brought together his far-ranging observations on markets, culture, and technological change. The early sixteenth century, with its wars, the renaissance, religious revolutions, the discovery of new worlds, and the immensely important invention of movable print, became a fertile terrain for his acute analytical mind.

The medieval world was closed to the outside and was authority bound by the church. Only a few people could read, and what they read was controlled by the clergy. Books were expensive to produce, and the production was controlled by Rome. The idea of a popular literature was unknown, though the oral transmission of culture was a mine of information. Just how few books existed can be gleaned from a few statistics. For instance, hardly any libraries possessed more than 300 books; some exceptions were the King of France's library with 910, and the Christ Church priory at Canterbury, with some 2,000 (Manchester 1992, 95). The movable type revolution of Johann Gutenberg in 1457–58 shook the foundations of the medieval world. Printers all over Christendom quickly copied Gutenberg's invention, and printed books began to appear in Rome (1464), Venice (1469), Paris (1470), the Netherlands (1471), Switzerland (1472), Hungary (1473), Spain (1474), England (1476), Denmark (1482), Sweden (1483), and Constantinople (1490). Like the enclosure movement, which in its brutality left a landless proletariat in its wake, or like the discovery of the steam engine, which spurred the spread of the modern factory system of mass production, the invention of printing was a seismic event that touched every aspect of life. Businessmen needed books to trade; governments quickly saw the potential of the book as a source of administrative power; people were hungry for knowledge; and the newly established Protestant movements understood the power of the printed word in evangelizing their cause.¹⁷ The secular nation-state world was about to be born.

These events must have gripped Innis's attention as few others had. He knew better than most that modern society arose from its feudal beginnings. The print revolution came to symbolize not only the emerging world of capitalist commerce and administration but the social revolution that these new information technologies brought in their wake. Statecraft, nation-building, warfare, the organization of knowledge, the modern city with its merchants, lawyers, physicians, bankers, shipbuilders, and the dispossessed were all part

of this cultural and intellectual movement. New classes were about to be born; older ones faced extinction. The constitution of public authority was about to be transformed forever. Manchester is right to focus on the humanist side of the print revolution that grew up in its wake. Modern scholarship emerged as a result or consequence of the revolutionary impact of the spread of book knowledge. The scholars who profited from Gutenberg, such as Thomas More of England and Erasmus of Rotterdam constituted “the world’s first community of powerful lay intellectuals” (Manchester 1992, 107).

It would be wrong to think that Innis’s sole interest in the print revolution was limited to the radical and transformative aspects of this new technology. His studies had shown him that the typographical revolution did not occur all at once. The Chinese had experimented with wooden typography four hundred years earlier. Muslims had introduced ink into Spain in the tenth century, and the discovery had quickly made its way to other European centres. In the fourteenth century, the French had begun to use discarded linen rags as a cheap source of paper. It was the social dimension of printing that arrested Innis’s attention, in much the same way that he understood the staple to be a giant organizing mechanism of society in a frontier economy.

His newfound interest in communications enabled Innis to focus on the deep-seated conflict between competing centres of market power which inhere in the real and symbolic economies. His conceptual grasp of the world of good production and the world of money and information gave him a particularly powerful lens with which to capture the dynamics of cultural change in this emerging liberal society. As such, it became the crossover point between his pre-eminent early studies on the developmental aspects of political economy and his later, equally influential studies on empire and communications.

Innis’s work on communications theory exhibits his growing feeling that wealth generation driven by the new information technologies was very different from the exploitation of resources. The movement of invisibles, such as money or information, both of which can be stored up, may be used to generate more money and more information. What is unique in this case is that information is a limitless resource, forever recyclable and saleable (Toffler 1990). Controlling the quantity, quality, and distribution of knowledge distinguishes information from other goods and resources that are sold internationally.

Two ideas of Innis’s stand out: first, throughout history, the efficient organization of markets depends in a myriad of ways on

the secular exercise of power by the élites. For Innis, control of the technology of communications is the principal lever through which this happens; hence, his concept of the “bias of communication” – the potential of every new technology to accumulate power for those who have the competence to use it. Second is his concept of “monopolies of knowledge,” or the way technology increases the power of large-scale organization – be it military, religious, administrative, or corporate authority – to control social space and the social order (Postman 1992). This twofold classification permitted him to divide civilizations into two types: those that have a bias of time and are organized to enhance their social cohesion by means of powerful belief systems reinforced by family, kinship, and religious ties of all kinds; and those that have a bias of space, with a social structure that is designed to control far-flung regions of empire. For reasons that he made explicit in his essays, when each civilization reached its limits, it would be overtaken by alternative technologies. When the maelstrom of conflict erupted, he attached primary importance to the way that centralization of power, information, and force came to dominate not only the Anglo-Saxon world but classical antiquity – which is, after all, the starting point of the history of communications.

The potential presence of these two biases had dramatic implications for politics, culture, and the structure of markets. A time-bound political order is one that is loose and decentralized but has a hierarchical structure of decision making. On the other hand, a space-biased social order presents the prospect of a rigid, centralized structure, but one with the prospect of egalitarian norms and behaviour. Thus, each civilization and culture comes to depend on the existing techniques or modes of communication to acquire, store, and disseminate information. Depending on a culture’s dominant system of communications technology, some will be biased in favour of time while others will be space oriented (Berland 1992).

Innis had no shortage of examples to underscore his original point. For instance, writing on clay tablets or parchment promotes continuity and hence a time bias. The Egyptian civilization used the discovery of the calendar, with the clearly established feast days, to help set up an absolute monarchy with a state-sponsored religion on the Upper Nile (Innis 1951, 34). By contrast, the printing of a newspaper encourages a space bias and present-mindedness (Kumar 1993, 2729). The nineteenth century in particular was a goldmine for all of Innis’s general ideas. When the high-speed rotary “lightning” press replaced the much slower and expensive flat-bed

press, publishers could see the possibilities not only of printing on both sides of the paper but of producing and selling a mass-circulation newspaper. But to take such a step, they had to have cheap paper to feed the presses, and they had to have a literate public to purchase what was written. Innis's point, which he stressed repeatedly, was that there was no technological determinism operating from on high. Rather, one invention sparked another.¹⁸ This was the true nature of the communications revolution. It led to powerful and repeated bursts of technological discoveries, which transformed the sectors of society adjacent and dependent on it. Manchester has captured with great precision the kind of powerful cross current unleashed by the penny press:

Vast supplies of cheap paper were required to feed these new presses. Ingenious Germans provided the answer in the 1850s: newsprint made from pulp wood. Now a literate public awaited them. W.E. Forster's Compulsory Education Act, passed by Parliament in 1870, was followed by similar legislation throughout western Europe and the United States. In 1858 only 5 percent of British army recruits could read and write; by the turn of the century the figure had risen to 85.4 percent. The 1880s had brought the institution of free libraries which was followed by an explosion in journalism and the emergence of the twentieth-century mass culture which has transformed Western civilization. (Manchester 1992, xv–xvi)

Far from being a cultural historian in the accepted use of the term, Innis used his finely honed grasp of centre-periphery dynamics, born of the battle between conflicting centres of authority in the field of communications, to examine the way that each new advance in communications technology enhanced the power of the state, the military or giant global enterprises, over the individual (Berland 1994). His sweeping studies of civilization vividly demonstrate that these worlds of time and space are bound to clash when inequities in income and wealth are maldistributed or when the territorial aims of empire produce large countermovements. In these circumstances, any redistributive struggle quickly turns into a battle for control against the powers of the dominant social and economic forces in an effort to gain control of the two strategic resources of economic life: money and information. It is this deep-seated problem of who possesses the power to control social space, be it civil or economic, that is determinant for Innis. His concern was to explore the contradictory effects of technological change on authority, power, values, public opinion, and intelligence (see part 4, "Political Culture, the Bias of Communication, and Economic Change").

Taking the case of the print revolution, Innis demonstrated how the invention of the printing press was integral to the spread of commercialism in making possible the standardization of many business practices. Yet its most important consequence was in relation to the exercise of power,¹⁹ for the invention concentrated influence in the hands of the few who knew how to read and write. The pattern, which Innis deduced, is evident in the way élites cultivate each wave of new technology to enhance their authority and prestige by denying others access to knowledge-intensive technologies. The specialized knowledge may be used both as an economic weapon and as an instrument of power for empires, nations, and states seeking to impose their control over other people and territories.

Yet what was never clear in the early stages of a given technology's imposition onto a culture was who would gain and who would lose. This was because technological change was wildly unpredictable in its benefits and costs. Thus, when new technologies redefined what was meant by knowledge or wisdom, they inevitably altered the deeply embedded habits of a society to such an extent that they created new concepts and undermined older notions. Most important to Innis was the fact that when new technologies changed a society's culture, this occurred without anyone being fully conscious of it. The process was insidious and was dangerous for the élite and its authority, but it was even worse for the rest of us. Innis showed that history is replete with examples of traditional monopolies of knowledge being broken up by rival groups coming from the margins, where authority and power are more easily contested.

Innis was one of the first to see the way the introduction of radically innovative technologies forced a culture to conspire against itself (Postman 1992). For him, there was nothing rational in the way interests were restructured or the way the world would be radically redefined. Such changes were merely part of the process in which new technologies compete with the old for time, attention, money, prestige, and, above all else, power. World views then collide, institutions are threatened, and cultures find themselves in crisis. What he saw unfolding in history is a familiar pattern. When an old technology is assaulted by a new one, traditions, social mores, myths, and politics must fight for their lives. (Ibid.)

INNIS IN THE 1990s: IS HIS PERSPECTIVE STILL RELEVANT?

The essential question today is, What resources does a society have at its disposal to cope with the annihilation of public and private space by global markets, the compression of time by instantaneous

communication, and the fragmentation of national cultures by computer and other information technologies? In present-day Canada, Innis would have seen much that would have meshed with his ideas about the imminent decline of the West and the way communications technology has, in his powerful phrase, “cut time into pieces.” It is his account of this shrinking world of instant communications technology and specialized forms of knowledge that gives Innis’s later work so much contemporary relevance.

The globalization of money markets and information flows provides a powerful and lasting framework for updating the Innis legacy. The current restructuring of economies has accelerated capital mobility and information flows between peoples, governments, and states, and brings with it a host of intended and unintended consequences. Purely domestic markets are increasingly a thing of the past. Trade has become the steam engine of the twenty-first century, breaking down national economies as well as redrawing the contours of the nation-state. Today, information flows function in the way the railway once did. Worldwide movements of print and electronic information accelerate the intensity and scope of social change. Communications networks link people globally as never before. But at the same time, monopolies of knowledge in private hands prevent a continuous and unimpeded two-way flow of information across national boundaries, within countries, and among communities. This interplay between markets, peoples, states, and the global trading system is creating a new global (dis)order, in which nation-states see their economic powers being radically reduced while, in the larger society, information flows irreversibly alter the social production and diffusion of knowledge.

An open economy presents unlimited investment and business opportunities for private-sector actors. But the increase in capital mobility and the growth of global markets are not without huge risks and costs. It is estimated that the average daily flow of currency movements worldwide is in excess of one trillion dollars. By comparison, the total of all currency reserves of industrial countries is just under one trillion dollars. The contrast between private wealth and public authority provides a sobering indication of the novel stresses to which all countries are subject. Information is easier to obtain than ever before. And, in theory, so is foreign investment. These open economies present unlimited investment and business opportunities for private-sector actors. With markets operating around the clock, governments face unprecedented risks from volatile prices, unregulated currency flows, and unpredictable interest rates.

A NEW GLOBAL ORDER OR MORE INTERNATIONAL DISORDER?

How are nations coping with these new realities? What are the risks of globalized markets? What kind of public policies are needed to minimize or reduce market volatility? Can nations exist without a strong national economy? What kinds of international regulatory measures have to be established? How can new technologies in computers and communications be used to shape the future as well as serving human needs? How is money altering our perception of ourselves and our culture? Finally, what forces in modern society are transforming money into a universal *kultur* commodity form?

It would be foolish to expect Innis’s works to provide answers to these tough questions. His blind spots are the obvious ones. Gender and race are absent from his analytical lexicon. Despite these shortcomings, his insights are no less valuable. He provides any scholar with a powerful multidisciplinary methodology, drawn from economics, history, geography, and environmental and cultural studies, for grappling with one of the persistent themes in Western culture, namely, structured dependency in all its manifestations. What grabbed his attention was the failure of the pure market mechanism to provide full employment and macroeconomic stability in Western industrialized countries. This inherent limitation with regard to employment and job-creation raises a series of fundamental questions about the danger of relying on markets as the most efficient way of guaranteeing society’s well-being.

A return to the free-market mechanisms is likely to become a source of disillusionment in the 1990s. For even if markets do lead to political and institutional transformation, the strategic question to analyse is how market economies are forced to adapt to complex institutional settings and become socially embedded and internationally diffused. Innis always stressed the crucial role that institutional linkages play as a mechanism of adjustment. External trade reinforces competitive pressures, turning a growth cycle into its opposite. So long as this is the case, development cannot be left to the market; in the final analysis, it depends on a country’s success in restructuring production and transforming consumption norms by the redistribution of income. Innis’s principal conclusion was that strong governments should take the leading role in stabilizing the business cycle. Thus, relief from the costs of increased capital mobility and other structural rigidities of international financial markets can be found. His advice should not go unheeded. At a time when Canada’s national government has forgotten its basic

responsibility to its citizens to protect them from the uncertainty of global markets, Innis's legacy has greater relevance than ever.

CONCLUSION

Innis always conceived of markets as complex institutions and networks of behaviour that had to be shaped by state policy. He advocated a strategic, not an ideological, approach to the study of economics and cultural change. This is important to recall when thinking about the new staples of the twenty-first century: money and information. These have replaced goods and other traded commodities as the principal source of the wealth of nations. When information becomes the source of wealth and power, disturbing questions emerge about the institutional basis of the new world order. Innis once commented in another context, "And so the snake entered the paradise of ... economics. Under the stimulus of treasure from the new world the price system ate its way more rapidly into the economy of Europe and into economic thought" (Innis 1946, 145). When greed, power, and self-interest function as the motor force of history, long-term stability and economic security are the first victims of global markets, and all people run the risk of being "boiled in the oil" of international competition.

Finally, Innis believed that it was important to comprehend the way the new biases of information would be used to control what individuals do and think in contrast to the way they might enhance a people's right to know. The point he repeatedly emphasized was that everyone had to be conscious of the contradictory potential of each new technology. This is why getting access to knowledge and information has become a vast arena of struggle between businesses, communities, and nations. We have to have the means of establishing and asserting our identities, provided that we have the will to put markets back in their place. In particular, nation-states need specific kinds of cultural and economic policy instruments to protect them from the volatility of international markets. But first and foremost, they need to share Innis's deep-founded and ongoing scepticism about markets as a universal mechanism of well-being. For this, he wrote better than he knew.

Structure of the Volume

Innis produced an amazing number of articles, essays, book reviews, and comment pieces during his life.²⁰ Given the constraints of space limitations, I have followed three guiding principles in

preparing this volume. First, I have tried to strike a balance between the early, middle, and late Innis in order to present a wide-angled view of his intellectual development as an economic geographer, political economist, and communications theorist. Secondly, I have attempted to select essays that stand the test of time and retain an interest for a contemporary reading public. This has not been an easy principle to apply. During his lifetime, many of his major economic essays were directed towards other specialists in the field. However, I have tried to select essays that are broadly representative of his scholarship and provide significant insight into the way he thought about basic issues. Finally, in order to make his work more accessible, I have lightly modified some of the titles of the essays so that they reflect their subject matter more accurately. Wherever this has been done, the reader will find a full citation to the original title and place of publication. Only the most minimal editorial changes, if any, have been made to the essays. Innis's style of writing has been left in its original form.

The Innis reader is organized into the following five sections:

1 Staple Trades, the Rise of Industrialism, and the Expansion of International Markets. This section addresses Innis's view of world markets and the role of empire as a force for development and global change. Because the staple trades were central to the enlargement of empire, the essays in this section analyse their social and economic effects on Canada's economic origins. They contain some of Innis's most fundamental ideas about markets, international development, and the prototypical importance of the fur trade to Canada's long-term developmental prospects, as well as the impact of the international economy in so-called new economic lands.

2 Resources and Regionalism: The Origins of Modern Canada. Staple-related industries have a strong regional dimension, and this is the major theme that Innis explored in this group of essays. In addition to his study of the staples, Innis wrote extensively on other factors, such as the role of land, transportation, and labour in contributing to Canadian economic development. This section highlights these three factors, not only with respect to the formation of a national economy but with regard to the pattern of regional growth.

3 Metropolitanism, Nationality, and the Crisis of Industrialism. The worldwide depression was a major focus of Innis, and this section contains some previously unpublished material on nationalism, the failure of markets, and the role of government and business in the

economy. In particular, it examines the impact of growing US influence on Canadian affairs, the adequacy of the Rowell-Sirois Report in addressing Canada's deep-seated structural problems, and the role of business in the economy.

4 *Political Culture, the Bias of Communication, and Economic Change.* The discovery of new communications technology inevitably brings sweeping social change in its wake. This section illustrates the "crossover" in Innis's scholarship from political economy to his study of communications. Innis was increasingly preoccupied with the problem of cultural change as a result of the way new communications technologies created new modes of social behaviour. The essays in this section stress his views on modernity and social conflict.

5 *The Intellectual as Citizen.* Innis spent much of his life as a public figure with enormous influence inside and outside the university. He defined himself as an intellectual activist promoting a democratic society rather than as a political activist advancing the special interests of any one class or region. This section collects together his writings on the responsibilities of the scholar as citizen, the role of the intellectual in Canadian social sciences, the importance of adult education, myths in the social sciences, and democracy and the free city.

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NOTES

Special thanks to Eric Mézin for his computer and analytical skills in producing the figures on staple trades, as well as to Delwyn Higgins for her sharp editorial eye. Abraham Rotstein and David Bell provided critical feedback at different stages, and Joe Fernandes contributed much-needed assistance in a variety of ways.

- 1 A measure of Innis's importance can be seen in the numerous works and articles that are indebted to his scholarship. Though not exhaustive, Matteo Sanfilippo's 1992 article contains more than a hundred references inspired by Innis.
- 2 In being crowned the king of the American economics profession, Innis garnered more votes than W.A. Mackintosh of Queen's University, the founder of the "other staple." The latter's name had been

proposed by Charles Kindleberger, the eminent US economic historian and trade expert (Kindleberger 1991).

- 3 See his short article, "Approaches to Canadian Economic History" (Innis 1936a), which captures a good deal of the way Innis thought about his methodology.
- 4 What Innis achieved in the Canadian archives is comparable to the kind of historical sweep and theoretical acuity that the French historian Ferdinand Braudel employed to analyse the fundamental economic structure of the Mediterranean Basin. Nonetheless, there is much that is different about the two historians.
- 5 Robin Neill suggests that it was Plumptre and not Innis who first tried to explain the principal characteristics of Canadian development systematically and identified the constituent elements of Canada's pattern of economic development (Neill 1991, 147). See also Plumptre 1936.
- 6 Gordon Laxer (1991) has brought together in one volume many of the important articles (including Watkins 1963) written by Canada's political economists in the seventies and eighties who were influenced for and against Innis's fundamental work on staple-led development.
- 7 For the definitive statement on the truncated nature of the firm, see Levitt 1970. This should be read along with Britton and Gilmour 1978. The late Canadian economist Stephen Hymer developed a similar perspective in a global context (Hymer 1975).
- 8 For Innis's place in the pantheon of Canadian political economy tradition, see Daniel Drache, "The Rediscovery of Canadian Political Economy," in Drache and Clement 1985. For a retrospective assessment of the new political economy movement, see Clement and Williams 1989.
- 9 Not all these social theorists were economists, but all were deeply marked by economics. They addressed a broad and pressing set of issues, such as imperialism, capitalist accumulation, the passage from antiquity to modernity, the history of technology through the ages, the founding of the city, modes of production, and the rise and decline of civilization. Innis had studied briefly with Werner Sombart in Berlin just after the war. For the extent to which he was influenced by this group of exceptional thinkers, see Christian 1980.
- 10 It is worth adding that this group of distinguished academics shared the conviction that politics and economics were part of a single unbroken continuum rather than being treated as two distinct, competing worlds. The linking of the economic to the political gave their individual studies a tough intellectual quality that has withstood the passage of time.
- 11 In a general way, there are many parallels between Innis's and Polan-

yi's views that markets were socially constructed. In fact, Polanyi knew Innis's work and visited him at least once, but Innis showed little interest in pursuing the contact. The general point should not be overdrawn because Polanyi and Innis had such different views of political economy that it is more by coincidence than anything else that these parallels emerge. See Rotstein 1977 for an excellent discussion of some of the common ground they shared.

- 12 There are echoes of Keynes in Innis's general critique of capitalism, but Innis did not set out to develop a systemic understanding of the limits to competitive capitalism in the same way Keynes did. For instance, there is no demand-side critique, despite the fact that Innis had read Keynes's *General Theory* (see Christian 1980).
- 13 Unbeknown to contemporary merchandising giants such as Wal-Mart and K mart, these aggressive retailers have their origins in the monopoly practices of the staple (see entry for "staple" in *The New Shorter Oxford Dictionary*, 1993).
- 14 His pessimistic views about the pending collapse of capitalism are well documented in Christian 1980.
- 15 The universal themes of uneven development, underdevelopment, and crisis have been the centre of much important historical writing and research in recent years. See the historical work of Fernand Braudel and the Annales School; Emmanuel Wallerstein's analysis of the origin of the world economy; in international political economy, consult Robert Cox, and in economic theory, see Robert Boyer and Samin Amin, respectively.
- 16 The right of Canada's aboriginal people to full political equality remained largely masked until the mid-1980s. Canada's long-simmering constitutional crisis was used by Canada's first peoples to become players in their own right and at the negotiating table (Turpel 1992; McNeil 1992).
- 17 These paragraphs draw heavily on William Manchester's social history of medievalism and the origins of the Renaissance (Manchester 1992). His book can be read as a study of the revolutionary impact of the printed word on the sixteenth-century mind and political order.
- 18 See two important articles by Innis: "The Newspaper in Economic Development" and "An Economic Approach to English Literature in the Nineteenth Century," both in Innis 1946.
- 19 For instance, the written contract formed not only the basis of employment law but the development of modern property law, which facilitated the transfer of wealth from one generation of property holders to the next.
- 20 Robin Neill's 1972 study of Innis's economic thought contains a very useful bibliography that readers may want to consult.

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