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David McNally


It is now more than twenty years since the founding document of the new Canadian political economy, Kari Levitt’s *Silent Surrender*, first circulated within the Canadian Left.¹ The appearance of Levitt’s book, written from an explicitly nationalist perspective, coincided with renewed interest in Marxism as a critical science of society. Since then, the new Canadian political economy has spawned an important and substantial body of analysis, research, and argument, much of it devoted to debating the respective merits of Left-nationalist and Marxist approaches. Indeed, one might well argue that there have been two principal ‘moments’ in the evolution of the new political economy: first, a period when nationalist preoccupations with Canadian sovereignty predominated; second, a period characterized by vigorous Marxist challenges to the theoretical models of Left nationalism. The publication of these two volumes is an occasion to draw up a balance sheet of the past twenty years of work in this field.


theoretical and political in nature. The underlying issues at stake have been well summarized by Gregory Albo and Jane Jenson in their contribution to *The New Canadian Political Economy (NCPE)*. They write that “in English Canada ... the nationalist movement settled on a strategy of cross-class alliances, defining the future of the subordinate classes as dependent upon an improvement in the conditions of indigenous capitalism. Faced with this political project, Marxists immediately had to assess the viability of a strategy that promoted state-led Canadianization of capitalism ... class theorists asserted that the struggle against capitalism was the fundamental objective.” (193) As these two volumes demonstrate, the political and theoretical issues generated by these competing projects — one pursuing “state-led Canadianization of capitalism,” the other “the struggle against capitalism” — continue to define the terrain of debate among radical political economists.

*NCPE* is defined largely by the Left-nationalist perspective which dominated the ‘first wave.’ Although a number of contributors move explicitly outside this framework, those who address the economic development of Canada and its place in the world economy continue to operate within a Left-nationalist framework, albeit with various modifications (Watkins, Clement, Bradford and Williams, Williams). For example, the reader is immediately struck by the degree to which dozens upon dozens of references to Harold Innis eclipse the mere handful of citations from Marx. Moreover, these authors suggest that they are integrating the most important Innisian insights with the strengths of a Marxian “class analysis.”

How successful are they?

I

To answer this question we must begin with the two essential theses in the Left-nationalist analysis of Canada. The first, derived from the staples theory of Harold Innis, claims that Canadian economic history has revolved around the production of a basic raw material, or staple (such as fur, fish, timber and wheat) for export to a foreign market, and that this framework of staples production and export determines the direction and pattern of economic development. There are two elements to this staples determinism. First, the unequal trade relationship between staple-exporting hinterland and metropolitan economy is said to establish the economic rhythms and cultural basis of the hinterland. Second, the geographic, physical and technical characteristics of the staple being produced are held to determine the social and technological basis of the economy.

The second key element in the Left-nationalist perspective, the Naylor-Clement thesis, consciously builds upon Innis’ staples theory. It maintains that, rather

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1. I am here focusing on half the essays in *The New Canadian Political Economy* — the introduction and chapters 1-4, 6-7. I regret that I cannot do justice in this review to some of the other chapters which address gender, Quebec, the state, law, natives and immigrants, and culture.

than developing an independent industrial economy, the Canadian bourgeoisie chose, as junior partners to foreign industrial capital, to profit from transporting and retailing staple products (and financing these activities). Canadian capitalists thus welcomed foreign investment (principally from the US) in primary and manufacturing industries, while confining themselves to financing and circulating staple products destined for processing and manufacturing outside the country. The result, according to this analysis, is that a dependent bourgeoisie, which eschews fixed investments in manufacturing industry in favour of banking, commerce and transportation, has locked itself (and thereby the country) into a staple-exporting relationship of subordination to a foreign market and a foreign ruling class. As a consequence, the Canadian economy is said to be characterized by a concentration on primary industries (rather than manufacturing), a high degree of foreign ownership, and a heavy reliance on export markets.

A number of NCPE contributors sharply criticize the Innisian outlook for failing to consider class struggle, state policy, political activity, and ideology as meaningful factors in their own right (Phillips, 78-9; Albo and Jenson, 184-5; Magder, 281-2). Nevertheless, staples theory remains the central point of reference for those contributors who address the issue of Canadian economic development as a whole. Thus, Wallace Clement defends the notion of a political economy which "adds" a theory of class exploitation to the staple theory of inequality among nations, while suggesting that this involves "reversing Innis's logic." (39,40) It is not clear what it means to add together theories with reverse logics. Such a proposal suggests the naive notion that Marxism is merely a descriptive theory of classes which can be mapped onto virtually any other body of thought, rather than an integrated set of theoretical concepts (such as value, socially necessary labour, capital, labour power, surplus value, capital accumulation, and so on) with an intrinsic logic of their own.

Attempts to use staples theory run through a number of other contributions. Glen Williams, in one of the collection's more interesting and original essays, tries to make something of the Innisian notion that Canada is a "region within the centre," and sees it as a basis for reconciling Left-nationalist and Marxist approaches, although the theoretical status of this concept remains extremely obscure. Similarly, Paul Phillips, while strongly critical of staples theory with respect to the political economy of labour, still endorses the approach when it comes to Canadian economic development. (92) But how do we separate economic development from


^To avoid unnecessary confusion, let me point out that I am not objecting to the descriptive term "staples," nor to the critical use of Innis' prodigious research within a Marxist framework. My argument concerns the staples thesis as a theory of economic development which focuses on geography, technology and trade.
the political economy of labour? After all, isn't economic growth within capitalism simultaneously the reproduction of the capital-labour relationship? In a similar vein, Frances Abele and Daiva Stasiulis, in an important and challenging piece on native peoples and immigrants, appear to reproduce what Paul Phillips identifies as the Innisian "failure to distinguish between farmers, fishers and native trappers ... and wage workers in an industrial or production relationship." (79)

If authors such as these uncritically take over certain elements of Innis' approach, it is Mel Watkins who engages in the most extreme effort to stretch and contort staples theory to the point where it is all things to all people. Thus, in the first chapter of *NCPE*, Watkins concedes to theorists such as Jorge Niosi and William Carroll that the Canadian bourgeoisie has been "more impressive" than left-nationalists had thought. (29) Both Niosi and Carroll have documented the extensive industrial investments of Canadian capitalists, their substantial weight within the world market and as foreign investors in their own right, and the crucial role of Canadian banks and multinationals both domestically and internationally.7

One might have thought that these arguments would do considerable damage to the Naylor-Clement thesis. Watkins, however, does not seem overly concerned. Indeed, he goes on to point out that Canada is "one of the world's major automobile manufacturers, with an output now almost a half greater than Britain, which has double the population." (25-6) How does the reality that Canada is a major producer and exporter of manufactured goods sit with the Left-nationalist thesis that the Canadian economy overwhelmingly is a producer and exporter of staples — that is, of "natural resource products that have undergone minimal processing and are exploited for the purpose of export to other areas where they are manufactured into end products?" (Clement, 37) No problem. Why not use "the Innisian technique" to treat "automobiles, arms, and tourism" as staples? (Watkins, 25) The fact that this maneuver makes a nonsense of the theory itself does not seem to matter. So what, if such a position makes Japan, the United States, Sweden — indeed every nation — into staples producers? Everything goes, it seems, so long as we invoke Innis and staples.

One is reminded in reading Watkins' essay of Thomas Kuhn's description of declining scientific paradigms which make continual, *ad hoc* concessions to facts

6For instance, Abele and Stasiulis attack Leo Panitch and myself for "writing as if there were no workers in Canada until the Europeans arrived," (252) and they go on to say that "native labour was crucial in the long period before white settlement." (253) The latter statement is undoubtedly true, but the general argument indicates a conflation of labour-in-general with wage-labour. The point at issue — at least as I posed it in "Staple Theory," 51 — was "the creation of an indigenous proletariat from the ranks of the settler population." Native labour overwhelmingly was not *wage-labour*, and hence was marginal to that process.

7See especially Niosi, *Canadian Capitalism* (Toronto 1981), and his *Canadian Multinationals* (Toronto 1985); William Carroll, *Corporate Power and Canadian Capitalism* (Vancouver 1986). See also the essays by both authors in Robert Brym, ed., *The Structure of the Canadian Capitalist Class* (Toronto 1985). Another important critique of Left-nationalism which builds upon this work has been advanced by Paul Kellogg, "Canada as a Principal Economy," Paper to the Annual Meetings of the Canadian Political Science Association, McMaster University, June 1987.
that don’t fit (anomalies), in the interest of sustaining loyalty to prevailing dogma. Eventually, however, the endless ad hoc qualifications destroy the essential theoretical content of the old paradigm, and render its elements incoherent. What remains is a shell, a formalistic paradigm lacking serious experimental or explanatory power. Thus Watkins proposes grafting onto the Left-Innisian perspective the studies of the Canadian bourgeoisie by Niosi and Carroll, and the research on railways and industrialization by Paul Craven and Tom Traves, all of whom explicitly reject the staples approach. (27, 25) Indeed, Watkins even suggests (28) that the staples thesis is compatible with the position put forward by Gordon Laxer, now fully developed in Open for Business.

II

LAXER’S BOOK is an important and original contribution to the new Canadian political economy. It is important not only for bringing a fresh perspective to bear on questions of Canadian economic development, but also because, in reconstructing Left-nationalist political economy on clearly non-Marxist terrain, it helps to clarify the gulf between Left-nationalist and Marxist approaches.

The book’s starting point is sharp rejection of both traditional cornerstones of Left-nationalist political economy: staples theory, and the Naylor-Clement thesis. Laxer argues, for instance, that “staple traps do not inevitably follow from external and geographic factors,” and he rejects the manner in which staples determinism treats politics as a mere epiphenomenon of the objective factors associated with staples production and export. (29, 27) Similarly, he finds entirely unsatisfactory the Naylor-Clement thesis, according to which commercial capitalists thoroughly dominated the Canadian economy and the state and set it on a dependent course. After all, he points out, other “new settler societies” such as the United States and Australia were similarly dominated by commercial capital at early stages of their development. Yet in these latter two cases, commercial domination was broken, while in Canada it persisted. (31) It is precisely the specificity of Canada’s evolution, and the apparent persistence of commercial capitalist power, which he tries to explain.

In a brief empirical discussion, Laxer demonstrates that Canada did in fact set out on the path of independent industrialization during the late-19th and early-20th centuries. He points out that by 1900, Canada was the seventh-largest manufacturing country in the world; that as early as 1870, between two-thirds and three-quarters of Canadian manufacturing was in finished goods; and that during this period finished goods outweighed primary manufactures as a share of exports by a five-to-one ratio. Moreover, iron and steel now were leading sectors, and Canada was in the vanguard of the world’s agricultural implements producers. (11, 44-7)

Coupled with this is an illuminating comparative analysis in which Laxer

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8Thomas S. Kuhn, *The Structure of Scientific Revolutions* (Chicago 1970), ch. 8. While not subscribing to Kuhn’s theory of scientific knowledge, I find illuminating his discussion of this point.
shows that late 19th-century Sweden, too, was predominantly a staple producer in close proximity to advanced industrial nations (especially Germany) which were involved in substantial foreign investments. Moreover, he demonstrates that Canada was at this time a much more important producer of manufactured goods than was Sweden. Yet, during c1899-1913, the direction of development began to diverge between the two countries. Sweden emerged as an important manufacturing nation; Canada became dominated by foreign ownership in manufacturing, and increasingly reliant on staple exports. The reasons for this divergence are overwhelmingly internal not external, according to Laxer, deriving from the respectively different impact of agrarian classes upon politics in the two nations in general, and industrial and military policy in particular.

The essence of Laxer’s argument is that in a number of “late-follower” nations (countries which commenced capitalist industrialization during 1860-1914), the ability of agrarian social classes — particularly landed aristocrats and farmers — to constitute an alternative political power to the urban bourgeoisie resulted in a configuration of political and economic policy conducive to “independent industrial development.” These agrarian groups tended to favour policies with respect to banks, land settlement, and government spending which were favourable to indigenous industrialization. Equally important, they supported industrial protectionism (which curbed foreign ownership) and militaristic nationalism (which encouraged armaments and related industries). Where such agrarian classes constituted themselves as a major political force — as did the Junkers of Prussia, the farmers of America, the landed class of Meiji Japan, and a combination of nobles and landed commoners in Sweden — there emerged a ‘populist-nationalism’ dedicated to state-assisted development directed toward industrial and military independence. Ironically, then, it was insurgent agrarianism that was crucial to industrial power; independent industrial development followed from “the power of the countryside — nobles and commoners — to restrain business interests from completely dominating the state.” (113)

Canada’s problem was precisely the weakness of agrarian movements which, if successful, would have imposed nationalist policies upon the bourgeoisie. Agrarian weakness resulted in an “incomplete nationalism”; the incompleteness of Canadian nationalism meant that the bourgeoisie was in a position to welcome foreign investment with virtual impunity. Paradoxically, then, the bourgeoisie’s relative strength accounts for the weakness of industrial capitalism in Canada: “the reason the Canadian state did not defend domestic ownership of Canadian industry is ironic: the capitalists were too powerful.” (151) What, then, caused agrarian weakness in Canada, as opposed to Sweden or the US? At the heart of Laxer’s argument is the claim that popular-democratic movements “fell into the trap of English-French division,” and that, as a result, “sectionalism triumphed over class as the basis for political struggle.” (134, 136) In other words, during the crucial period 1850-1914, when initial industrialization occurred, agrarian-based popular movements were crippled by “ethno-national divisions” and thus failed to bend
industrial development along nationalist-protectionist lines.

Laxer's perspective has the merit of rejecting the elite-centered bias of the Naylor-Clement thesis, and of focusing instead on class, ethnic, and political conflicts and their implications for state policy. Yet, there is an interesting curiosity here. However much he rejects the method and detail of traditional Left-nationalist arguments, Laxer's argument pivots upon acceptance of the whole intellectual and political project with which the new Canadian political economy began. Indeed, he strips the Left-nationalist project bare until it is clear that its preoccupation is purely and simply with independent capitalist industrialization of the sort that emerged in Sweden, Japan or Germany. Socialist concerns for the liberation of the working class simply do not enter the discussion.

III

PRECISELY BECAUSE THE COORDINATES of socialist analysis are so blatantly absent from the book, Open for Business implicitly reopens the debate about Marxism and Canadian political economy. It is shocking that a book which purports to analyze Canada's entire social formation devotes one curt— and dismissive— paragraph to working-class movements during and after the period of initial industrialization. (127) But this dismissive approach to working-class movements is consistent with the book’s central thrust. Open for Business professes no concern for the emancipation of the working class from wage-slavery. Its heroes are not working-class socialists and union organizers, but Prussian junkers, Swedish noblemen and commoners, Japanese landowners, and others who imparted a nationalistic and militaristic bent to independent industrialization.

To be sure, Laxer chooses to focus on the Swedish example, rather than the Prussian or Japanese. He appears to do this for reasons of comparability with Canada. It is difficult to avoid concluding, however, that this choice owes something to the apparently less-offensive character of Swedish nationalism and militarism. The nationalism and militarism of Germany and Japan, after all, are severely tainted by the experiences of imperialism and fascism. Sweden is thus a safer example for an argument which supports militarism as an engine of industrialization. And support militarism Laxer does— both for economic and political reasons. On the economic front, he believes the realities of modern warfare favour the development of engineering, chemical and electrical industries (66-68, 142), and he regrets that Canada did not have "larger and more independent armed forces before the First World War." (152) Moreover, in one of the more bizarre twists in his argument, Laxer finds a positive political effect of militarism by claiming that "unpalatable as it may seem, the advent of mass democracy was related to the development of modern armies." (148)

Not only is the idea unpalatable, it is nonsense. Laxer's 'example' is the popular army of revolutionary France which was raised to defeat the mercenary armies of European counterrevolution. Well and good. Perhaps Laxer will recall that it was the French army under Napoleon which stabilized the bourgeois
character of the revolution against those popular forces driving for mass democracy. Perhaps he will recollect that the antidemocratic coup d'état carried out by Louis Bonaparte in 1851 presupposed the support of the army, and that for Marxists the term 'Bonapartism' has come to refer to a form of authoritarian capitalist rule based upon the modern army. Moving away from France, wouldn't it be news to the working-class activists who made up the Chartist and later trade-union movements which fought for democracy in Britain that their struggle — which involved numerous confrontations with troops and police — "was related to the development of modern armies"? Indeed, where is the evidence from England, America, or Australia, to choose but three examples, that "the advent of mass democracy" was tied to the rise of modern armies? The argument is essentially a fiction; it serves the purpose of giving militarism a populist coloration.\(^9\)

Laxer's analysis unabashedly links the Left-nationalist concern for independent industrialism with the classic problem of "bourgeois revolution": the creation of an economically — and militarily — viable capitalist state. This maneuver has the merit of demonstrating clearly that the theoretical and political framework of the original Left-nationalist project has little to do with socialism.\(^10\) Indeed, Laxer goes out of his way to emphasize that his interest lies with the historical possibility of alliances of various social classes in a project for independent industrial development, not with working-class internationalism and the struggle for socialism. Thus he believes Sweden's advantage over Canada rests on its ability to develop "a coherent national culture" in which "nationalism was the polemic language of political discourse used by right and left alike." (113, 107) And he approves of the fact that the Swedish Social Democrats — whose policies of coalition with a bourgeois party put them on the Second International's right wing — "broke from the anti-nationalist ideology of international socialism and proclaimed their goal to be the creation of a real nation." (102)

In this respect, Laxer's argument is quite timely. In response to the Canada-US free trade agreement, scores of prominent Canadian Left-nationalists advocated precisely such an alliance with a bourgeois party, the Liberals, in order to "save Canada's sovereignty." Indeed, not only have many Left-nationalists jumped on the bandwagon of alliances with a bourgeois party, some have seen fit even to praise

\(^9\)It is remarkable that Laxer never mentions modern imperialism in his discussion of militarism. There is no hint that militarism grows out of the increasingly global character of capitalist competition. For some of the classical Marxist statements on this matter see Rosa Luxemburg, The Accumulation of Capital (New York 1968); Karl Liebknecht, Militarism and Anti-Militarism (New York 1972); Nikolai Bukharin, Imperialism and World Economy (New York 1973); V. I. Lenin, Imperialism, the highest stage of capitalism (Peking 1965).

\(^10\)In this respect, Laxer's book represents an overt return to the perspective sketched twenty years ago by Mel Watkins, whose "A New National Policy," in Trevor Lloyd and Jack McLeod, eds., Agenda 1970: proposals for a creative politics (Toronto 1968), argued that "the object of the exercise is to rationalize Canadian industry under Canadian control" and that this required "a Canadian bourgeoisie whose competence and initiative are of high order." (172, 175) The new twist Laxer gives to the argument is to claim that it was up to non-bourgeois groups to make the bourgeoisie play this role.
John Turner, and attack Quebec for sinking English Canada's national project. More than 120 years after Confederation, they appear to want to take up the battle for an independent capitalist Canada. They have thus returned to the very political strategy which Albo and Jenson claim Marxists reject — the strategy of "cross class alliances" which defines "the future of the subordinate classes as dependent upon an improvement in the conditions of indigenous capitalism." How is it, then, that more than twenty years after the emergence of the new Canadian political economy, Left-nationalists are resurrecting strategies which have correctly been described as non-Marxist? Doesn't this speak to some fundamental deficiencies at the heart of the new political economy tradition in Canada? At a minimum, it certainly points to a failure to absorb the basic categories of Marx's critique of bourgeois political economy.

The very heart and soul of Marxist political economy is "the de-fetishization of the world of commodities" in order to uncover and comprehend the concrete life-activity of workers and the conditions of their emancipation. Marx's critical exercise in de-fetishization proceeds by showing that the capitalist world of commodities rests upon production regulated by abstract human labour, and that the latter refers to "alienated labour, labour separated or estranged from the labourers themselves." Alienated labour under capitalism is performed by a producing class which, while juridically free, is divorced from ownership and control of the means of production, and which is thus forced to sell its labour power to owners of the means of production in order to secure its subsistence. Based upon this analysis, the political project of scientific socialism is the self-emancipation of this working class, a revolutionary process through which workers overcome their alienation from the means of production, abolish the market in labour, and establish the democratic and cooperative rule of "freely associated producers" — i.e. "an association of free men, working with the means of production held in common."
Marxist political economy is thus the political economy of the working class—a critical, scientific, and revolutionary theory designed to delineate the conditions for the emancipation of labour. Yet, it must be said that this approach largely has remained foreign to the new political economy's main terms of discussion. What the dominant tradition has offered us is political economy without the working class.¹⁵

Three years ago, Glen Williams argued that the new political economy faced a crisis as a result of the "fissure" between Left-nationalists and Marxists. His argument focused on the theoretical side of this crisis.¹⁶ Events since then have brought to light the political side of this theoretical fissure, with many Left-nationalists adopting the flag-waving politics of alliance with the Liberal Party "to save Canada" and launching attacks on Quebec in the name of the maple leaf. *Open for Business* is firmly situated within this theoretical and political perspective. *The New Canadian Political Economy,* notwithstanding efforts by a number of contributors to transcend Left-nationalism, gives the impression of searching for a half-way house which accommodates both nationalist and Marxist perspectives. But the half-way house approach can only obscure the fundamental issues at stake. And recent events have shown that these issues are fundamental. If the proof of the pudding is in the eating, then it must be said that the Left-nationalist recipe has produced an inedible mush—at least to socialist tastebuds.

¹⁵ In referring to "the dominant tradition," I echo Paul Phillips' statement that debates in the new political economy have been dominated by "the left-nationalist position articulated most ardently by Mel Watkins" (see his "Retrospect and Revisionism: Dependency and Class in Canadian Political Economy," *Journal of Canadian Studies,* 22 [1987], 200.) Let me emphasize once more that I by no means categorize all NCPE contributions as operating within the dominant Left-nationalist framework. It is instructive, however, that the book contains not a single contribution from any of the thoroughgoing Marxist critics of Left-nationalist political economy. Isabella Bakker argues that "the new political economy tends to 'add on women'." (101) It also tends to "add on" the working class—a point not unrelated, perhaps, to the way in which it adds on women.