

**History in Economics: The Work of Harold Innis as Historical
Economics.**

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Introduction.

One of Canada's contributions to the history of ideas has been a kind of historical economics influential also within Canada as a nationalist inspiration. Now a neglected artefact within the history of economic thought, as economics has moved on to non-historical, modelling approaches to understanding, the staples approach can serve to show how economics can be enriched by a historical dimension.

The issue of history in economics has different meanings for recognisable types of economist. Mainstream theoreticians believe in progress in economic thought, so often disregard the "mistaken views" of earlier thinkers. Empirical economists can see history as a data pool with which to test modern theories. In contrast heterodox scholars in economics often acknowledge an important role for history, usually without being specific as to what it is (Robinson, 1978: 126-36)¹.

However, a substantial book by Geoff Hodgson, published in 2001, is very clear that the reason for history being important is “specificity” – meaning that the principles of economics are not universal, but instead economic understanding depends on the institutional milieu, an aspect of reality which changes through historical time (Hodgson, 2001). Many orthodox economists, in contrast to Hodgson’s heterodox perspective, take the universalist approach to economic principles, and neglect (and sometimes denigrate) the historical approach. As Matthias Klaes observes: “More than four decades ago, Paul Samuelson ... noted with contempt that it was those economists who were not sufficiently competent to follow the mathematical revolution of postwar economics who were seeking shelter in the history of economic thought” (Klaes, 2003, p.497).

A century ago the situation was very different and there was no neglect of history in economics. For instance, at the University of Cambridge in England “economics broke away from history within the institutional structures, but Alfred Marshall still studied economic history and made use of it for copious illustrations in his published work. Likewise John Maynard Keynes looked to the past, even including a chapter on Mercantilism in the The General Theory” (Dow and Dow, 2002: 39-50). Indeed just over a century ago the English Historical School of economics (whom Hodgson properly identifies as British) argued strenuously for an economics to which history was entirely integral. Their impact was substantial (Koot, 1987).

The leading members of the English Historical School were Cliffe Lesley, John Kells Ingram (both Irish), Arnold Toynbee, L.L. Price, William Ashley, W.A.S. Hewins and

William Cunningham. (It is worth noting that Ashley was appointed as the first professor of political economy in 1888 at the University of Toronto, where he stayed for four years, before moving to Harvard (Drummond, 1983)). In Scotland J.S. Nicholson, the second appointment as professor of economics at the University of Edinburgh, and William Smart, the first professor of economics at University of Glasgow, were both sympathetic to the historical approach to economics (Nicholson, 1893; Smart, 1910). In this they were typical of the Scottish tradition in political economy (Dow, Dow and Hutton, 1997).

Why should economists attend to the historical experience? The arguments of the English Historical School from over a century ago are now likely, by their own standards emphasising the importance of context, to require reformulation as economics has professionalised and grown. It is in this setting I consider the explicitly development oriented staples approach originated in Canada, and historically rooted, which was most closely associated with Harold Innis, Professor of Political Economy at the University of Toronto². (He was appointed by the man Ashley recommended as successor as Head of the Department of Political Economy). If historical economics is indeed useful – as I would contend – how does the case of the Canadian staples approach weigh up as evidence?

Historical Specificity.

First I will elaborate in more detail, and assess, the argument for the importance of historical specificity. Hodgson's view is that history, or to be more precise historical awareness on the part of economists, makes for better economics. As I have put it elsewhere: "Separate epochs have different institutions making different kinds of socio-economic system. To understand these systems requires a historical knowledge as to what the characteristics of the epoch were. Hodgson thus sees history as useful to economics, indeed essential to a full economic understanding of a particular system."(Dow, 2002, pp. 22-23)

Important to note about Hodgson's view is that it sees good theory in economics as depending upon the economist's awareness of the relevance of historical specificity. In this position Hodgson is intermediate between the postmodern and the universalist epistemological stances. Of course, traditional history was also particular in its notion of historical understanding. As Arthur Marwick, a leading exponent of the traditional history approach, remarked: "The search for universal meaning or universal explanations is, therefore, a futile one. History is about finding things out, and solving problems, rather than about spinning narratives or telling stories."(Tosh, 2000, p300)

Thus history is not narrative, far less analytical, in this traditional historiography. Someone like Nicholson, part of the later tradition of Scottish political economy, takes much the same view when he comments from Edinburgh:

"At the same time it is, no doubt, often desirable to illustrate the theory by reference to actual or historical examples that in themselves are interesting and important; although on

the other hand, in certain parts it is better to show the abstract nature of the treatment by an avowed use of hypothetical examples” (Nicholson, 1909, p5).

This illustrative role for history may be contrasted with his contemporary in Glasgow, William Smart, who was a member of the Royal Commission on the Poor Law which reported in 1909, drafting some important sections including the chapter on a social insurance scheme. He wrote: “I discovered in short, that to form any adequate judgement of the phenomena with which the Poor Laws directly deal, it was necessary first to know the history of the working world at the time” (Smart, 1910, vii). Here is an economist with a developed sense of historical specificity and its importance.

So economists with historical awareness may have different reasons, rarely made explicit, when they study history. Consider the rationale given by Charles Kindleberger, a self-avowed historical economist in his later writings: “Many economic models are plausible and will fit particular circumstances: the question is how general they are and how much one can rely on them to provide understanding and wisdom in particular circumstances.”(Kindleberger, 1990,p.4) Here again the importance of specificity is emphasised.

History in the Staples Approach.

What is the staples approach and what makes it especially suitable to an investigation of how history informs economic understanding? The staple theory has been Canada’s

original contribution to the world of economic ideas. (Along with the notion of “effective protection” devised by Clarence Barber of the University of Manitoba³). The observations of Harold Innis, and others, in the 1930s led to an understanding that the nature of natural resource based industry differed from that of other industrial sectors, so that a country heavily dependent on the export of natural resources would tend to develop in ways shaped by the export staple.

In Canada the approach was for many years the leading one employed to explain Canada’s economic development (Phillips, 1985). The staples approach suggested that the pattern, pace and nature of development of a natural resource exporting economy, relying on one sort of commodity for a large part of its exports, would depend essentially on the mode of production of the staple export - the staple being the name given to a natural resource intensive export good (Neill, 1991, chap. 5).

By “mode of production” is meant the production function of neoclassical economics and also an array of associated variables - the distribution of income, the population and demographic effects of the staple, the institutions growing up around the trade, the structure of costs (e.g. overhead cost) and so on. This then was a theory of Canadian economic development, embellished at length by Professor Harold Innis of the University of Toronto in the 1930s and 1940s in a series of books dealing with the Canadian fishing, the fur trade and mining economy (Innis, 1930; Innis, 1936; Innis, 1940).

It should be emphasised that Harold Innis was an economist and the staples approach he put forward was market driven, in the sense that prices for the staple and for the inputs into its production were the dynamic motive force in triggering, and sustaining, the staple development. However, he was clear that Canada’s development took place with

massive government intervention - the railways, the National Policy, the geological survey - and accepted that without it Canada might never have come into existence as a leading world power. Since The Wealth of Nations in 1776 economists had moved away from a study of what induces economic development to a study of the allocation of resources (Smith, 1776). One of the virtues of the staples thesis was its rounded approach to both development and efficient allocation. In the language of Thomas Kuhn this was a paradigm, a world view (Kuhn, 1962).

In Innis's staples approach considerable attention is directed towards the physical characteristics of the particular staple product under consideration. One of his most important works, The Fur Trade in Canada, has as its first chapter a short description of the beaver and its typical locale, commencing with this passage: "The history of Canada has been profoundly influenced by the habits of an animal which very fittingly occupies a prominent place on her coat of arms. The beaver was of dominant importance in the beginnings of the Canadian fur trade. It is impossible to understand the characteristic developments of the trade or of Canadian history without some knowledge of its life and habits"(Innis, 1930).

These physical attributes not only determine the geography of the staple's production but also influence significantly the economics of the process. In particular they help to determine the form which a particular mode of staple production will assume. Will there be small independent producers or a labour force subject to industrial discipline? Will there be large overhead costs or a trade based mainly on working capital? Will private

capital find it profitable to develop and exploit the resource, or will state involvement be needed to set up infrastructure or to provide and train the required labour? Of course, the physical qualities of the commodity do not alone ensure that the production mode takes the form that it does, though they are an important determinant. Also important are the prevailing technology, the industrial structure and the nature of the demand for the exported staple (McCallum, 1980, pp.118-20).

Institutions, designed in the past, wield influence long after outward circumstances change (Innis was well acquainted with leading institutionalist economists who shared this insight). Transformation of these institutional relics may be traumatic. This is the judgement of the mature Innis: “Concentration on the production of staples for export to more highly industrialised areas in Europe and later in the United states has broad implications for the Canadian economic, political and social structure. Each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crisis in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple” (Innis, 1950).

In this paper the main concern is not with the “truth value” of what Innis asserts, but with showing the broad conclusions which can emerge from an historical approach. The vision which appears is about the development of society under an economic regime of dependent capitalism, where dependency results from concentration on the export of a few relatively unprocessed, staple products. One aspect of this has been translated into a model of economic growth suited to economies rich in natural resources, but without an advanced industrial base. Authored by Mel Watkins this model combines, in its mature

form, the staples approach with a distinctly Marxian perspective (Watkins, 1963; Watkins, 1967). Thus the fresh historical perspective of Innis led to a more analytical presentation of part of his contribution – one which dominated for a time the study of Canadian economic history and which was read and utilised by development economists in the 1960s⁴.

How happy Innis would have been at this outcome is difficult to assess. He would have been delighted at the basis for understanding Canada he had created being used widely as an explanation for the formation of the country and its subsequent economic development. (That had been part of his intention) He may have been unhappy that a simplified version of what he had to say, expressed as a model of development, was how that influence came about. As his biographer comments: “Innis’s intellectual project, therefore, did not limit itself to the theory of economic development more appropriate to the study of hinterland economies than those currently in vogue in the metropolis. More radically, he was suggesting the need for a *global* theory of imperialism to be built around painstaking concrete analysis of the many levels of interaction of the centre/margin of empires. He was using the staple to focus attention on the *cultural interaction* of different peoples at the edge of an expanding empire.” (Watson, p150)

In this we see another role for history than historical specificity, and one closer to the historical vision espoused by Marwick. A rounded understanding can come from an immersion in the facts of a particular case, or historical situation. Such an understanding is not readily incorporated in a model, though a modeller who is aware may hold it in mind as a model is constructed, elaborated, tested and used for exposition. Better economics would be the result.

Innis on Communications.

Watson's recent biography of Harold Innis emphasises that his originality was not confined to economics or economic history (Watson, 2006). He was also one of the founders of the academic field of Communications Studies. Watson is at pains to point out that this seminal interest arose from his earlier historical economics research. The seeds of Innis's communications ideas are to be found in the staples approach (Parker, 1985).

He believed empires (formal or informal), and the cultural attitudes they spread, are strongly influenced by the means of communication current at the time. But in particular he saw a role for the more peripheral parts of empire to create new ideas different from those ruling at the heart of empire. Universities were critical, according to Innis, in encouraging this role.

What is meant by communications? Where once transport links and a mail service were important there are now newspapers, radio and television, as well as the internet and text messaging. Innis's contention was that these dominating media shape the possibilities for any place, including the economic possibilities. In particular media may be either time oriented or space oriented. As Innis put it: "The concepts of time and space reflect the significance of media to civilisation. Media that emphasise time are those that

are durable in character, such as parchment , clay , and stone. Media that emphasise space are apt to be less durable and light in character, such as papyrus and paper. The latter are suited to wide areas in administration and trade” (Innis,1950,p.7)

One example of a time oriented medium, given by Innis, is an oral tradition. Something like e-mail as a medium is space oriented (despite the efforts of groupings like EH_NET to archive conversations using that medium). However, a dialectical process was evident in the development of societies in the Innis vision. If media were predominantly time oriented, or space oriented, at any time the countervailing forces in society would correct that bias through cultural adaptations or technological change. As Menahem Blondheim remarks: “By pointing out the polarity of time and space, Innis upholds the prospect – even the inevitability – of the change of one bias into the other.” (Blondheim, 2003, p170).

Innis also emphasised the importance to civilisations of monopolies of knowledge and power buttressed by the existing mode of communications. Again Blondheim explains: “By achieving a monopoly, a certain communications apparatus may become the sole provider of the physical infrastructure for communications, and thus dominate the nature of knowledge and its diffusion. Since this monopoly of matter serves the mind, however, it can perpetuate and fixate not only itself, but also the concerns of society, shaping them in its own image and solidifying the status quo.” (Blondheim, 2003).

This brief introduction to Innis’s complex analysis of communications in relation to empires and the changes in civilisations serves to show that Innis’s historical inspiration gave rise, along with his economic training, to a path breaking innovation in academic perspective. Thus is illustrated the power of history to inspire fresh ideas in the social

sciences generally. Economists need that inspiration; and over the last half century it has been largely lost to the mainstream (Dow and Dow, 2002).

Conclusion.

Despite the above claim of influence it might be objected that, all in all, the substantial output of Harold Innis has only been a footnote in the story of economics over the last century. His historical studies had a limited currency. (Of course, the neglect of historical perspectives in modern economics is what inspires this article, at least in part). Yet if influence in an academic discipline is what determines importance it is worth repeating that Harold Innis's works in communications remain influential in Departments of Communications and Media Studies (Innis, 1950; Parker, 1985; Blondheim, 2003).

Finally in commentary on the main theme it should be pointed out that a certain problem exists in pointing economists to history, and by implication to the works of Harold Innis in particular. These are not accessible books and articles. The style is loaded with detail and becomes increasingly opaque as Innis grows older (Creighton, 1957: 101-02). It may be significant that the writers who popularised the staples approach in Canada were associated with the Department of Political Economy at the University of Toronto in the 1950s and either knew Innis or assimilated his ideas from his contemporaries subsequent to his death in 1953. For the busy mainstream economist reading, and comprehending, The Fur Trade in Canada, is not a realistic option. Like so much intellectual output the ideas can only be understood fully by being part of a community in which conversations give entry and fill out the bare bones of the written word (an oral tradition in effect).

Nonetheless the staples case shows, in my view, that straight narrative history can enlighten, and produce fresh vision, in ways that refinement of an existing analytical framework may not be able to do. In part this is certainly a case of historical specificity and its implications, but it also attests to the role of pure curiosity which drove Harold Innis, as it does so many historians (Jordonova, 2000). Economics needs this source of inspiration if it is not to become one of the harmful “monopolies of knowledge” which Harold Innis feared so much as the enemy of progress in civilisation.

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Notes

¹ An exception is the group of scholars interested in path dependency, who move quickly from simple examples (like the QWERTY keyboard) to dynamic modelling (Setterfield, 1999, pp.841-3).

² Innis was of Scottish descent and raised on a farm in Ontario. Wounded in the First World War he undertook a Ph.D. in Chicago before being hired at the University of Toronto Department of Political Economy by the Head, James Mavor, originally from the University of Glasgow. Despite his injury Innis began an investigation (in canoe as well as in archives) of the fur trade in Canada. The beaver was the main pelt of this trade.

³ See A.M.C. Waterman et al.(eds.), 1982, p.5.

⁴ Thereafter, it was attacked and largely abandoned by the economics profession in Canada (Neill, 1991, chap. 11). It lives on in Canada in other disciplinary settings.