

## THE LABYRINTH OF DEPENDENCY

*Daniel Drache/Arthur Kroker*

Co-editors

### Processed World

. . . the economies of frontier countries are storm centres to the modern international economy.

H.A. Innis, "Political Implications of  
Unused Capacity"

This special issue is intended to deepen and intensify the tradition of dependency theory as a way of accounting for the vicious spiral in which Québec and English-Canada find themselves as these societies are *processed* in accordance with the functional requirements of advanced technocratic capitalism.

The theme of dependency is, of course, one of the master concepts of western thought. Its continuing relevance for contemporary critical theory suggests that power and domination, whether in work experience, consumer culture, the politics of sexuality, or the economic colonialism of whole societies, is still the dynamic locus of western experience. Certainly in the Canadian discourse there is a general fascination with the question of dependency. In music, Bruce Cockburn's most recent album, *The Trouble with Normal*, provides a searing account of dependency ("When all is said and done, trying to beat the system of world events gets you nowhere") as the dark side of modern being. In film, *Going Down the Road* is a haunting cinematic account of the forced depopulation of the Maritimes, and of the human tragedy which is the other side of the centre/margin tension in the Canadian political economy. In literature, Margaret Atwood's decidedly melancholy portrayal of "victim positions" (*Survival*) as the nucleus of Canadian identity finds its novelistic equivalents in the writings of Margaret Laurence and Alice Munro. And, of course, the dependency tradition has no more eloquent expression than in that tradition of the visual arts represented by the Western Canadian painters — Tony Tascona, Don Proch, and Esther Warkov. This is a contemporary tradition of painting which has given an entirely new expression and meaning to the intrication of technology and domination as the two sides of the Canadian experience. In political philosophy, Canada's most original contribution to North American thought has consisted of the development of a comprehensive, eloquent, and internally coherent discourse on dependency. George Grant's

reflections on justice and history in *Technology and Empire*, *Time as History*, and *English-Speaking Justice* are a theoretical meditation on technological dependency written by a thinker who is much like a Nietzsche of the New World. C.B. Macpherson's *The Real World of Democracy*, *Democratic Theory*, and *Property* represent a radical challenge to liberalism, not only as the locus of Canadian dependency, but as the justificatory ideology of the deep dependencies (from the processed world of "possessive individualism" to the political assault on the democratic populisms of Western Canada) created by the spread of market-steered accumulation as the dynamo of modern society. And, finally, Dennis Lee's *Savage Fields* represents a fundamental account (Heideggerian this time) of dependent being as the persistent structure of western consciousness. The Canadian reflection on dependency even spills over into the mediated world of television. Indeed, one of the most grisly, and truthful, accounts of dependency as the horizon of the Canadian identity is to be found in the opening video graphic in the much vaunted CBC production, *The Journal*. This show, which is intended anyway to dispense official ideology on a nightly basis, opens with a beautiful, but terrifying, video sequence. This sequence says everything about the relationship of ideological hegemony and dependency in the Canadian context. It reveals, in fact, that Canada is a nation produced as a reflex of the commodity-form. The video sequence begins with the camera zooming in from outer space, dwelling for an instant on the geographical image of Canada, and then taking a quick global skywalk. As the eye of the camera orbits the planet, from west to east, the geography of the globe is quickly transformed. Everything is processed anew into perfect technocratic modules, geometrically shaped, and in a final touch of irony, neatly divided out by countries and then by continents. We are presented with a vivid, and exact, image of Canada and Québec in the semiurgical age of technology. Nature is exterminated: it's all deterritorialization and dehistoricization. This opening sequence to *The Journal* is both a powerful and haunting reminder of Canada's production, in its politics, economics, and culture, in the image of the commodity-form. It is also a seductive vision of our imprisonment in the carceral of the image-system.

If Canadian thinkers have reflected with such intensity and passion on the implications of dependency, then it is only because it has been the Canadian fate to be both the product of and conditional for external empires. The political economist, Harold Innis, always linked the political formation of Canada to the dynamic expansion of capitalism in the New World. In a way directly analogous to Marx's classic description of the nihilism of capitalism in "The Fetishism of Commodities and the Secret Thereof", Innis has analyzed the genealogy of Canadian hegemony as part of the dynamic expansion of the price system across North America. As Innis stated in his essay, "The Penetrative Powers of the Price System": "The price system operated at a high state of efficiency in the occupation of the vacant spaces of the earth". And while Marx presented the grisly image of "abstract labour" as the devalued outcome of (our) processing within the cycle of capitalist exchange, Innis hinted that the Canadian equivalent of "abstract labour" would be the political production of the

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“abstract nation”. Much like the film, *Being There*, the Canadian state which was created anyway as an instrument of administrative hegemony (Naylor’s “Canada in the European Age”) is a constitutional form in search of a justifying content. Latouche can claim (“*Les effets pervers de l’entre dépendence*”) that English-Canada has no “national community” just because he has stumbled onto the secret of Canada’s formation as a big commodity, as, perhaps, the world’s first “absent nation”.<sup>2</sup>

### Dependency Theory Old and New

But if the discourse on dependency extends like a brilliant arc across the Canadian imagination, it’s an altogether different story in the Canadian social sciences, and particularly in the tradition of Canadian political economy. Here, in an ironic confirmation of Canadian intellectual dependence, just when automatic class analysis of a predictable variety has been abandoned in European theory as already obsolescent (in André Gorz’s *Adieu au prolétariat*, in Jean Baudrillard’s *The Mirror of Production*, in Bahro and Marcuse), it’s taken flight (just like Miverva’s Owl) and found a final moment of renewal in Canadian thought. It’s as if political economists, abandoning the *indigenous* tradition of dependency theory as represented most formidably by the communications theory and political economy of Harold Innis in favour of a Eurocentric class analysis, are determined to examine the economic crisis of advanced capitalism through the lens of the nineteenth-century.

In any event, dependency theory has come under attack in Canada on the grounds that this perspective is no longer adequate for understanding our relations with the United States or with other countries. The reasons for believing this are particularly striking. Canadian capital has now moved abroad, with significant investments in third world countries. Foreign ownership levels in the economy have declined, both due to corporate mergers and to government takeovers in the resource field. And, at least until the “discipline” imposed on the Canadian economy by the revalorizing (for the United States) strategy of American monetarism worked its effects, it could even be argued that the Canadian state was displaying unusual autonomy in regulating foreign multinationals. All this, of course, while acid rain continued to drift north from the American industrial heartland, while a working ideological hegemony was imposed, and this deeply, on Canadian experience by the consumer culture of the United States, and while the Trudeau Government was making its first secret deals to allow the testing of nuclear weaponry in Canada.

Internationally, the changes which have occurred between the advanced capitalist societies and the periphery are equally remarkable. In Europe, the Germans, French and Swedes are preoccupied by the extent of de-industrialization, by their loss of sovereignty, and by the uneven development of their economies. In *The Meaning of Life*, Monty Python, that erstwhile guide to the down-side of

popular culture, can speak of Yorkshire as the Third World, and this because in a classic case, if not of the empire strikes back then, at least, of Marx's history twice-over as burlesque, Britain now experiences the technocratic and cultural peripheralization which that society once imposed on its colonies. At the "old" periphery there has been significant industrialization, whether in Brazil, Argentina, Mexico, Singapore, and even in the sweat-shops of Korea (which Friedmann liked to tout as capitalism on the go). The economic hegemony of Western finance capital has been eroded by the immense amounts of capital controlled by Arab banking interests. And, finally, in the advanced capitalist societies with thirty-five million unemployed, wages as well as manufacturing costs have fallen.

There is a danger, however, in thinking that because so much has changed during the nineteen-sixties and seventies that the dependency perspective is no longer relevant. In a recent article in *Critiques de l'économie politique*, Pascal Arnaud has argued, not unconvincingly, that the problematic posed by dependency theory is an accurate reflection of the *existent* economic crisis. Despite the impressive growth over the last twenty years for a large number of third world countries, the effect of monetarism has been to leave these societies stranded in their own rigidities. The economic crisis, imposed by the centre economies on the periphery, has reinforced the extroverted nature of their political economies. In almost every case, the export side of the economy has grown at the expense of indigenous investments in the internal market. Today, the third world is maintained in an economically subordinate position by the tactic of encouraging "export-orientation" over the development of self-managed economies. More importantly, what Arnaud's research demonstrates is that the nature of foreign ownership has changed. Third world countries are only successful in "attracting floating capital", that is commercial loans with high interest. Brazil alone now owes over \$90 billion (U.S.). The systematic rise of interest rates for these commercial loans explains the current massive indebtedness of third world countries. Capitalism, American style, achieves a new stage of historical development when, through international regulatory agencies such as the *International Monetary Fund*, capital accumulation entails the systematic unification of economic indebtedness (IMF loans) and political discipline (austerity budgets and the *policing* of civil society). One lesson of the economic crisis is clear: third world societies, and some first world ones, are to be managed *from without* by the disciplinary model of finance capital.

At the centre, the picture is very different. The industrial countries have profited from the crisis and, according to a recent study of the Swiss banks, have increased their economic domination of the world economy. Throughout the '70s, the advanced industrial societies exported a larger percentage of their GNP than previously. In a decade of slower growth, their export of manufactured goods increased progressively: from 18.5% to 23% of the GNP in Germany, from 9.5% to 12.5% in Japan, from 15.9% to 22.2% in Britain, and from 12.8% to 17.8% in France.

The American performance was particularly remarkable in practically

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doubling its export of manufactured goods from 4.4% to 8.4% of the GNP.

More illuminating still is the economic performance of the largest American banks. In 1981, 63% of the total revenues of Citicorp, Chase-Manhattan, and J.P. Morgan came from overseas operations. For the 14 leading American financial institutions, 53.5% of their revenues were derived externally. For the 7 principal American banks between 1970-1981 profits derived from their overseas operations grew from \$167 million to \$1.3 billion or, in other terms, from 22% to 55% of their total profits! Given these conditions it is not surprising that the drain of capital from the third world has accelerated and that these countries find themselves more dominated by foreign multinationals and the industrial countries than previously. In Latin America alone the GNP diminished by 1.2% in 1982. This decline corresponds to more than a 3% drop in the GNP per person. While there are signs that the industrialized societies are beginning to recover from the world crisis, economists predict no significant change for Latin America, making 1983 the third continuous year of the recession there.

As the above shows all too clearly the enduring problems associated with dependency theory have become more acute and more visible with the current economic crisis. No one should need persuading of this, least of all Canadians.

### The Genealogy of the Debate

Even if there was no definite answer on what caused underdevelopment or low economic growth at the periphery, the concept of dependency was a powerful one. For some it meant the ensemble of forces of advanced capitalism blocking the economic and cultural development of marginalized societies. For others, dependency theory explained how the advanced capitalist societies, through trade, the World Bank, and direct foreign investment, were able to dominate third world societies. Still for others, dependency was viewed as emerging from the international division of labour *imposed* on former European colonies, and that the strategic policies of the advanced industrial world had the overall effect of disrupting the chances for economic development at the periphery of the international system. Still for others, this perspective was retheorised as a way of looking at the complex social and economic "class relations" between centre and periphery. In this taking, the periphery became the underclass exploited by centre capitalist economies. The latter were analysed as controlling the pace and progress of economic and cultural development, not only by the traditional means of unequal trade, foreign investment, and capital accumulation, but by manipulating "intermediaries" within these societies and by creating alliances with emergent conservative elites (from business and government) in peripheralized countries. But through all of these divergent theorisations of the dependency perspective, one theme remained constant: in the changing relations between centre/periphery, *it is not only capital but power which is at stake*. That dependency theory is not just an economic doctrine, but an ongoing *political* reflection on the unequal exchange of power between centre and margin may explain the intellectual flexibility of this

tradition: it is able to absorb, on the one hand, analyses of the cultural domination of advanced capitalist societies (the work of, for example, the *Birmingham School of Contemporary Cultural Studies*) and *systemic* analyses of the structural origins of world economic crisis (Wallerstein). Indeed, by the end of the '70s, dependency theory had changed greatly as a method of critical inquiry. No longer narrowly focussed on economic relations between the advanced capitalist societies and the third world, it became a more sophisticated perspective: one which recognized the centrality of a plurality of factors — ethnic, social, institutional, and cultural — in defining the relationship of periphery to metropole.

This explicitly neo-Marxist school of radical social science was also to play a pivotal role in revitalizing the Marxian tradition in Europe and North America. Despite its pretensions to universality, Marxism was the product of a distinctively European discourse and was handicapped in understanding the processes of social change in non-European societies. The work associated with the study of underdevelopment was instrumental in liberating Marxism from its highly orthodox, misplaced emphasis on class as well as its entirely routinized views on social transformation. In rethinking these and other questions, dependency theory stressed the central importance of both national factors and indigenous cultural tendencies in advancing socialism in a peripheral or semi-peripheral setting.

In a post-colonial world, dependency theory and its original work on imperialism, multinationals, technology transfers, foreign aid, banking and investment flows proved highly attractive, at least when Africa and Asia were on the march politically. Indeed, many Europeans and North Americans became convinced that the peripheries would decisively weaken the command centres of the complex of advanced industrial societies.

Looking back at the debates which this expectation incited, they seem badly dated, if not widely exaggerated. In reaction against the supposed excesses of "third worldism" many Marxists abandoned dependency theory on the pretext that its focus on the national context rather than on the detritus of class relations was anti-Marxist!

Much of this disillusionment is unwarranted. Neither dependency theory nor any other theory can explain the variety of forces defining the relations between the world economy and national economies at the periphery. Anyway with monetarism and other deflationary strategies of social transformation, the third world is everywhere now. The advanced capitalist societies function by the "disappearance" of whole sectors of their population, witness the policing of the black underclass in the United States. We are in the realm now of what Jean-Paul Sartre prophesied as the coming age of general human dispossession. The contribution of dependency theory was, in fact, to preserve the thesis of centre-margin in all of its changing variations as the essential angle of vision in revealing the strategies of domination in modern society.

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### *Silent Surrender Revisited*

Kari Levitt's pioneering study, *Silent Surrender: The Multinational Corporation in Canada* was part of the intellectual tradition of dependency theory, but marginal to it for the reason that Canada was part of the system of advanced industrial societies and not a member of the third world. It was Levitt's thesis that Canada's position in the world economy was fully paradoxical. This was a country which was simultaneously rich *and* underdeveloped. What dependency theory had to explain were the social and economic forces which defined Canada's ambiguous position in the global economy, making it an "advanced dependent" society.<sup>3</sup>

When *Silent Surrender* appeared in 1970 it created a sensation by its scathing attack on the conventional wisdom of government policy and on the role of academic advisers. Levitt challenged directly the discourse of Canada's ruling class: the belief that "increased interdependence between Canada and the United States has proven beneficial to growth and economic integration would be still more so." She singled out Canada's economists who bestowed on the continentalist trend an aura of academic respectability. The opening paragraph is worth recalling as it sets out succinctly the case she intended to present:

This book presents a sketch of Canada's slide into a position of economic, political and cultural dependence on the United States. It seeks to explain the process whereby national entrepreneurship and political unity have been eroded to a point beyond which lies the disintegration of the nation-state. Those of my colleagues who believe that understanding is advanced primarily by the accretion of factual information will perhaps be disappointed by the absence of "original research". Those, however, who share the view that further research on the effects of direct foreign investment is unlikely to yield additional insight unless accompanied by a more relevant intellectual framework... may find the ideas developed here useful in posing new and meaningful questions.

The slide into dependence, Levitt went on to elaborate was not a natural outgrowth of sharing the world's longest undefended border with the United States. Foreign domination of the economy was but the result of American expansion into Canada in search of markets, resources, and a secure outlet for investments. Her now-familiar thesis derived from an analysis of multinationals and the social consequences of direct investment:

The links of trade... arise from the operations of American-based corporations in Canada. They are manifestations of a new mercantilism of corporate empires which cut across

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boundaries of national economies and undermine the national sovereignty of the hinterland countries in which their subsidiaries and branch plants are located.

The feature which the new mercantilism shares with the old lies in the way enterprises use their economic power and their political influence, and indeed, the military strength of their metropolitan governments, to protect their investments against disruptions in the market for their supplies and their sales.

Uncertainty in the free market has been reduced and sometimes even eliminated by converting market transactions into intracompany transfers through the device of vertical integration. Further, the large corporations have used their power to obtain from metropolitan and peripheral governments a network of preferential and bilateral trading arrangements and fiscal concessions which, in some ways, resemble the exclusivist privileges of the old mercantile systems.

Levitt's study explained what Canadians had always suspected: a branch-plant economy was inefficient and foreign direct investment, while productive for American capital, was harmful to Canadian interests. Levitt's thesis on dependency was developed as follows:

- Canada was not capital poor. Over eighty percent of foreign direct investment in the sixties was derived from the retained earnings and depreciation allowances of American subsidiaries operating in Canada along with other capital loaned to the foreign sector by Canadian banks. As the economy grew so did American investment. This meant that Canadians were financing the foreign takeover of their country.
- Branchplants were inefficient possessing neither economies of scale nor an export-orientation.
- American firms operated under American law and all critical decisions regarding the operation of the branchplants were made in the United States not in Canada.
- Canada was shortchanged by this kind of development acquiring neither technology nor entrepreneurship
- Crucially, American branch-plants did not create jobs. In buying up a Canadian company the new American owners often phased out jobs in manufacturing. Frequently they used their Canadian operation as a distribution depot for goods and services produced in the United States or elsewhere.



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- The Liberal Government in concert with Canadian banks had consciously pursued this 'open door' policy, one which undermined Canadian sovereignty.

*Silent Surrender* found a large receptive audience in non-official circles. Canadians had become sceptical of American domination of the economy and wanted to know why a branch-plant economy had consistently higher rates of inflation, higher unemployment and lower growth than south of the border. But, it was influential for two other reasons as well. Firstly, in showing English-Canadians a different way of interpreting Canadian-American relations it found immediate resonance with a younger generation of social scientists who had begun to develop a neo-Marxist tradition of Canadian political economy. Her book made a signal contribution to the re-emergence of this new school of Canadian political economy. Secondly, *Silent Surrender* was one of the few books produced by an English-Canadian academic to influence public policy and Canadian political life more generally. Along with the contributions of her fellow economists, Mel Watkins and Abe Robstein, their studies of Canadian corporate behaviour and government policy played a pivotal role in transforming English-Canadian nationalism into a potent political force after the Diefenbaker debacle. The work of these leading economists gave English-Canadian nationalism a much-needed theoretical perspective on Canadian capitalism, the role of Canadian elites and American imperialism.

Yet Levitt's most important contribution was that she provided a more relevant intellectual framework "for posing questions and doing research" on Canada. What Levitt recognized is that the study of dependency in Canada is highly complex because dependency is not only a consequence of foreign investment but has at least two other facets of equal importance: between English-Canada and Québec in which Québec is the dominated community politically, constitutionally, and economically; and between Ottawa and the provinces in which central Canada, principally Ontario, has been 'favoured' at the expense of the other regions. These profound divisions which mark Canadian society *cannot* be encompassed or explained by reference to a single theoretical approach. For this reason class relations, gender, the role of the state, language and cultural differences must not be grouped under the general rubric of dependency *tout court*. Despite this, the continuing strength of Levitt's theoretical framework is that in rejecting the narrow parochialism of much of Canadian scholarship, it stresses the critical importance of situating the study of Canadian capitalism in the larger North American context and it emphasizes particularly the central role of external forces in shaping Canadian life. This point seems so obvious that it is hardly worth making were it not for the fact that contemporary mainstream liberal social science consistently misrepresents Canada's relations with the United States, maintaining that the American domination which Levitt describes belongs to another era of capitalism. For quite different reasons left-wing scholarship has not been much better with its frequently narrow emphasis on class conflict, capital accumulation and surplus

value. The reason why dependency theory has proved so illuminating and a cut-above these more orthodox approaches is that conceptually it's much clearer about how to analyze the structures and political culture of Canadian capitalism. What this involves is explaining the actions and interests of all the dominant actors and in particular, the pivotal importance of foreign capital on state policy, the economy, and the social order more generally. In social formations which are dominated by foreign capital and have weak elites, dependency theory remains a powerful tool of analysis for understanding the contradictory and often asymmetrical conflict among class, regional, cultural and state interests. Canada is a classic case in point of this asymmetry. It is an advanced society, able to function on an industrial footing, yet less and less firmly anchored in the industrial world, and with only a minimal amount of economic and political freedom. Despite the fact that *Silent Surrender* was written almost fifteen years ago, it remains the single best book explaining the post-war impact of foreign investment on this complex situation.

However, with the enormous changes which have taken place in the economy since Levitt wrote her pioneering study it's necessary to ask is dependency theory relevant at all to Canada in the 80's? It isn't necessary to go into a great deal of detail in order to see in broad outline some of the most important developments which have transpired. Let us begin with Canada's commercial position in the international economy. There are four important developments to note.

First, predictably, Canada has become significantly more reliant on the U.S. as its principal trading partner both for imports and exports. At the same time Canada has lost important ground in the American market since the United States has diversified its external trade following the Tokyo round in tariff negotiations. Canada's exports to the U.S. have grown from 53% of all exports in 1964 to roughly 70% in 1980. As for Canada's import needs, the U.S. continues to furnish 70%, a figure which has remained steady throughout the decade.

Secondly, Canada's export trade in industrial goods to the OECD countries plummeted at a time when this trading bloc rapidly increased its commercial trade with the industrial and developing world. As can be seen in the accompanying table Canada's share of world exports of manufactured products fell by 30%!

Thirdly, in terms of trade with developing countries, Canada increased its exports more rapidly than any other industrial country (Latin America represents 40% of Canada's sales to developing countries) while sales to the Middle East grew twice as fast as those of other industrial countries combined.

Lastly, the import-penetration of the Canadian market reached record-high levels. By 1980, 36% of all manufactured goods in Canada were imported. For the United States the same figure was 10%. The North American picture is markedly different from the situation in other industrial countries where imports constitute only 16% of the goods consumed. In Third World countries import penetration remains relatively weak in the order of 2 to 3% of the market but growing at an annual rate of 8%. With these countries Canada's exporters have

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Table I

Canada's Share of World Exports*, by percentage								
	1972	1973	1974	1975	1976	1977	1978	1979
	(%)							
Food Products	4.3	4.2	4.1	3.8	3.8	3.4	3.1	3.2
Primary Products	8.1	7.4	5.5	5.3	5.3	4.9	4.7	4.5
Semi-manufactured								
Products	3.9	3.3	3.0	3.0	3.4	3.4	3.3	3.3
Manufactured								
Products	4.0	3.5	3.2	3.0	3.3	3.1	2.9	2.8
Total	4.9	4.4	3.9	3.7	3.9	3.7	3.4	3.4

\*The product categories used here are based on UN commodity classifications.  
 Source: "International Trade in 1978-79," General Agreement on Tariffs and Trade. As cited in *Canada's Trade Challenge*. Report of the Special Committee on a National Trading Corporation, Supply and Services Canada, June 1981, p. 4.

established strong positions in the slow growth sectors with such products as shoes, textiles, scientific and office equipment and a relatively weak position in fast-growing high technology sectors such as vehicles, motor machinery, and machine parts.

With regard to resources, there have been dramatic changes in Canada's commanding position as a principal exporter of raw materials. Two demand mention. On the one hand, Canada has lost one-half of its traditional share of the international market for resources (see accompanying table). In nickel, asbestos, paper products to name only several sectors, Canada no longer supplies the major share of these markets in the world economy as new sources of raw materials have been brought into production in the developing countries. On the other, the resource side of the economy and, in particular, mining continues to be the fastest growing sector and prominent as ever. Yet strikingly, in mining the percentage of unprocessed resources being exported in 1980 was as high as in 1928-29 despite the fact that Canada has become more industrialized over time. Sixty percent of these exports are made by branch-plants to their parent company or to another subsidiary of the multi-national.

In addition, there has been an enormous growth in Canadian foreign investment abroad. Seventy-five percent is in the U.S. and to a much lesser degree, Europe. Foreign investment in developing countries increased sharply. As early as 1970, 24% of foreign investment was directed to developing nations with Latin America being the principal recipient and the balance invested in Asia. While Canadian banks and resource companies have continued to invest aggressively in Latin America and other third world countries throughout the decade, the share of Canadian investment in developing countries has remained roughly constant varying between 22 and 24% of all Canadian capital invested abroad.

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The public sector has also undergone radical transformation. Even before Trudeau's Canadianization programme, by 1978 state enterprises had expanded enormously with assets totalling \$86.8 billion shared among 156 federal and provincial state businesses. The growth of these state enterprises has had a marked effect on Canadian economic life. In 1979, of the 25 leading enterprises, 49.2% of the assets were in the public sector, 31.7% in Canadian hands and 19.1% foreign controlled (mainly American). The picture changes radically when viewed in terms of profits. Of the leading 25 enterprises, profits were divided as follows: 25.1% public sector, 44.4% Canadian capital, 30.5% foreign controlled. The economic balance of power between the state and 'both' private sectors changes again when one examines where profits come from among the top 500 enterprises. Foreign capital accounted for 46.1%, private Canadian capital 40.5%, and state enterprises 13.4%, evidence of what Calcurra notes is the importance of increased concentration in both the private and public sector. While government enterprises have a significant presence in the economy, more important still has been the impact of the merger and takeover movement on the corporate sector as a whole. In the seventies this development has overshadowed the rapid expansion of state enterprises and has strengthened the position of the corporate sector in the economy.

As for foreign ownership, the picture is hardly encouraging. In 1979 American corporations accounted for 74% of assets, 72% of sales and 87% of profits of all foreign-controlled firms. These figures exclude American financial institutions operating in Canada. In specific sectors the percentage of foreign control of industries is as follows:

Tobacco*	100%
Transportation Equipment*	73%
Petroleum and coal*	69%
Rubber*	90%
Metal mining**	35%
Textile mills**	56%
Paper and allied industries**	39%
Machinery**	55%
Chemical and chemical products	76%
Mineral fuels	59%
Other mining	47%
Miscellaneous manufacturing	45%

\* 4 leading firms account for more than 59% sales  
\*\* 4 leading firms account for between 25-49% of sales.

At the aggregate level there has been significant changes. Measured as a percentage of all corporate assets the foreign sector's share has declined from 35.5% to 28.2% between 1968 and 1978 — a drop of six points. Measured by sales the drop is negligible from 34.8% to 33.8%. Measured by profits foreign-controlled firms accounted for 44.8% of all profits in 1968 and only 38.2% in

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1979, a change of close to 7 points. These 'global' figures need qualification. What Calurra also shows is that in terms of performance, the American 'giants' continue to better their Canadian equivalents with the former growing faster, being more profitable, more liquid and with less debt. As Calurra notes, "... top foreign firms showed greater earning power than the Canadian private sector... and enjoy sufficient market power or economies of scale to realize significantly higher profit patterns." (Calurra 1979, p. 41). As would be expected, the ratio of profits to sales has widened between the Canadian and American private sectors. In 1979, there were fifty foreign controlled enterprises in the top 100, a decline of 6 from 1975. Even with these changes the foreign sector accounted for no less than 47.5% of sales, 30.5% of assets, 41% of profits and 57% of taxable income of these leading enterprises by the beginning of the eighties.

In this short review of major economic changes we have deliberately left to the end the question of foreign control in order to highlight the point that foreign ownership is only one structural feature of the Canadian economy and must be examined in the larger context. Calurra warns its readers to be cautious in interpreting the changes in foreign ownership levels. It points out that part of the decline is due to reclassification of statistical data on account of mergers, takeovers and acquisitions which it says "creates an artificial movement of financial change between industries". This can result in "obscuring real economic activity as in the case of the reclassification of Esso Resources Canada and in metal mining where operations of conglomerates are divided between different classifications."

Yet even with this qualification, what needs to be said is that it matters relatively little, the critical issue is not that foreign ownership has declined by four points or risen by two, but to situate the role of foreign ownership in the larger context of (what is happening to) the economy as a whole. Here there can be little doubt that 'dynamic' foreign capital working in concert with the leading edge of Canadian corporate power and buttressed by official state policy defines the central political reality at the present time. This, of course, is neither new nor surprising. Even the fact that the nineteen-seventies was a decade which produced short-term change in the relationship between American and Canadian capital without a significant transformation of the economy is hardly novel. What is different and has to be viewed as constituting a new era for Canada is the dramatic increase in trade dependency on the United States, the sharp decline in industrial competitiveness of the industrial sector, the magnitude of the massive outflow of Canadian savings to the United States and Latin America, the totally unforeseen deterioration in Canada's position as an exporter of natural resources in the world market, and the record high levels of unemployment, exceeding over 10% and depending on the region well over 20%. In order to grasp the larger significance of these developments dependency theory needs to shift its emphasis from concentrating on "the slide into dependency" to focussing on the complex process of *forced economic restructuring and its impact on the social fabric of Canadian society*.

Three aspects are particularly alarming and have far-reaching implications:

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First, Canada with its antiquated industrial structure is being de-industrialized but not re-industrialized. This contrasts with the situation in Europe and United States, where the reorganization and rationalization of the industrial sector has led to increased competitiveness, economies of scale, the introduction of new technology, and in some cases, a shorter working week. Here the process is particularly brutal with few of the benefits derived from reorganization. On the one hand, Canadian capital is unable to compete with the imports coming from the industrial zone created in Latin America and Asia. On the other, it is being squeezed out of the Canadian market by the aggressive export strategy of American multinationals. The future appears bleak.

Secondly, de-industrialization has already produced dramatic changes in the labour market affecting capital's relation with labour in a number of critical areas. Hardcore unemployment has risen spectacularly for women, youth, immigrant workers in small enterprises, nationally and regionally. The restructuring of Canada's economy directly affects the way work is organized at the plant-level, real income levels, the economic rights of all Canadians, and, particularly, working-class Canadians. In a branch-plant economy with a weak trade union movement and a highly restrictive system of industrial relations, capital has used the segmented and highly regional nature of the labour market to its own advantage in order to lower wage costs, and more generally to attack the social and economic gains won by labour over the past two decades. The return to the jungle-like system of industrial relations of the '30s poses a fundamental threat to the basic freedoms of Canada as a liberal-democratic society.

Finally, the enormous increase in the level of Canadian foreign investment takes on special meaning in the present context. Not only are Canadian investors searching for high rates of return on their investments but the persistent outflow of funds constitutes a flight of capital from Canada reflecting the sharp change in Canada's economic status. As can be deduced from the accompanying table, Canada is rapidly losing its position as a privileged periphery both as a region of North America and internationally.

	<b>1975</b>	<b>2000</b>
North America	31.4	20-21
Western Europe	22.5	20-21
Japan and others (OECD)	8.1	10-11
Eastern Europe	15.9	14-16
Third World	22.1	32-35
Total	100.0	100

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The North American share of world revenue is expected to decline by 30% over the next two decades. It is forecast that the biggest winners will be the oil rich countries with their share of world income rising from 22.1% in 1975 to 32.5% in 2000. In the industrial world the biggest losers will be countries such as Canada, Belgium, and Britain with their weak economies unable to maintain their old status in the new international division of labour.

### Dependency Theory in New Key

The contributions to this special issue are decidedly austere. Indeed, taken together, these analyses represent a great rupture in the discourse on dependency, both in Québec and English-Canada. For unlike most past accounts of dependency across the northern tier of North America, these perspectives do not assume *a priori* that Canada is a privileged alternative to the United States. Quite the contrary. Written in a context of general economic crisis and at a time when the authoritarian exercise of State power is in full abuse, the present perspectives are without illusions and without false hopes. In some ways, this is a minimalist exercise since what takes place across the writings, from Nicole Laurin-Frenette's despairing comment on the strategy of *redoublement* within which we are all imprisoned to Tom Naylor's insistence of tracing through the genealogy of Canadian dependence to its bitter beginnings in the administrative rationality of British empire, is a stripping-away of the "official" myths which are the Canadian substitute for an emergent culture. In the examples of Marcel Rioux, Susan Crean, and Daniel Latouche there is a clear intent to see *heteronomy* for what it is: the genus and horizon of Canadian experience. This special issue represents then both a revisiting of classical questions (Drache, Niosi, Naylor) and points of departure (Laurin-Frenette, Latouche, Rioux/Crean, Lind) for rewriting dependency theory in new key. This is political economy with a cultural moment; and cultural discourse with a vivid sense of economic hegemony.

In the lead-off article, Daniel Drache provides a provocative challenge to the current orthodoxies of Canadian political economy. In a reflexive consideration of the history of dependency theory in Canada, Drache is a case in point. His thought moves with a great sense of dynamic tension between a deep understanding of the Innisian tradition of political economy and his present involvement in research on regulation and accumulation as theorized by the French thinkers, Robert Boyer and Alain Lipietz. The present article shows this double influence. Written from a "left-Innisian" perspective, the essay confronts, directly and critically, the limitations in the more orthodox approach to Canadian political economy as thematized in the recent special issue of *Studies in Political Economy*, "Rethinking Canadian Political Economy". Drache's purpose is twofold: to identify the exclusions in an *ahistorical* Marxist political economy (the centrality of a resource commercial economy, the influence of export-led growth on class formation); and to provide an *historically specific* understanding of the complex political, social, and economic processes which

shaped the Canadian labour market and which influenced the "dependent" development of resource and commercial capitalism in the Canadian context. Drache's argument is a central one: it provides empirical evidence (and this specifically directed against Leo Panitch's claims concerning the historical formation of the Canadian labour process) that the capital/labour nexus was not the principal theatre of conflict in Canadian mode of development; and it outlines an alternative, historically nuanced interpretation of the sources of Canadian dependency. Drache wants a political economy that takes account of Canada's "ambivalent" position in possessing the social relations of an advanced capitalist society, but the economic structure of a classically underdeveloped society.

Marcel Rioux's and Susan Crean's article, "Overcoming Dependency: A Plea for Two Nations", is the flip side of Drache's privileging of the question of political economy in the analysis of Canadian dependency. This essay was originally published as part of *Deux pays pour vivre: Un plaidoyer*. Rioux and Crean's important theoretical statement on the recovery of an emergent cultural practice in Québec and English-Canada. As a way of deepening our understanding of dependency in advanced industrial societies, the article makes at least three essential points. First, it argues for the primacy of culture over economy, noting that in consumer culture the economic sphere has been breached by ideology, "the goals of advanced industrial society... (which)... are incorporated within its own system of production". Second, much in the tradition of Bahro and Castoriadis, the authors argue that an emancipatory vision of a "self-managed" society must combat the ideological hegemony of advanced capitalism as well as the disastrous evolution of "actually existing socialism" into authoritarian forms of "protosocialism". And third, the essay develops the strategic political thesis that "in order to win Canada's autonomy in relation to the United States and that of Québec with regard to Canada", the democratic and mutual self-determination of *each* society will be necessary. "Overcoming Dependency" is, then, a profound challenge to the bureaucratic control of the Canadian discourse by the Liberal Party: a type of ideological control which sets off Québec and English-Canada in opposition to one another with the Liberal Party as the happy mediation. What Rioux and Crean are attempting is nothing less than the forging of a new alliance between emergent and progressive political forces in Québec and English-Canada. Drache may appeal for a recovery of the "National Question" in understanding Canadian dependency, but Rioux and Crean do him one better. They have outlined a possible basis for a fundamental transformation of the politics of the Québec/Canada question.

The remarkable articles by the leading Québec writers, Daniel Latouche and Nicole Laurin-Frenette, are powerful confirmations and extensions of the critiques traced out by Drache, Rioux and Crean. In many ways, Drache's retheorisation of an *historically specific* understanding of Canadian political economy and Rioux/Crean's *cultural* interpretation of a new emancipatory strategy (*autogestionnaire*) for Canada and Québec structure the Canadian debate on dependency. These perspectives, moving between past and future, circle



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back on one another and show exactly the extent to which the questions of economic dependency and the political recovery of an emergent cultural practice are entangled in the fate of Québec and Canada. Now, the significance of Latouche's article, "*Les effets pervers de l'entre-dépendance*" is this: It is a fantastic critique of the absence of a distinct and autonomous national community in English-Canada; and it is a tragic reflection on the *immobilisme* which presently typifies Québec under the double shock of the referendum result of 1980 and the constitutional betrayal of Québec in the following year. Latouche demonstrates, and this clearly and convincingly, that the dependency of Québec in relation to English-Canada and the domination of Canada by American empire are mutual and self-reinforcing tendencies. Just like Rioux and Crean, Latouche states: "Que les socialistes et socio-démocrates du Canada anglais aient été incapables de comprendre que la souveraineté du Québec constituait leur meilleur allié témoigne d'une myopie sans doute causée par leur installation confortable dans un statut de minorité permanente". The tragic sense in Latouche's perspective is heightened in Nicole Laurin-Frenette's poignant and searing reflection on the Québec referendum as a *Divertimento pour deux états*. It is a certain sign of the seriousness of the present crisis that it produces serious and highly personal reexaminations of intellectual positions. This is the case with Laurin-Frenette's meditation on the incarceration of Québec and Canada within a discourse of state power which legitimates itself and expands its sphere of control by ideological diversions, including official discourses promoting "national unity". Laurin-Frenette is a dependency theorist of the blood, for she refuses to privilege the "national question" or to be less than critical of the *redoublement* at the centre of the ideology of state power. "L'état fédéral est moins l'instrument de la centralisation des opérations financières capitalistes que l'effet, le résultat de cette centralisation". Or, again, and this with regard to Québec: "For the last twenty years or so, this central state has had to deal in Québec with a provincial state that has discovered a nation for itself. Others, more recently, have discovered oil and it still remains to be seen which of the two resources can take a state further". The thought of Laurin-Frenette is on the other side of a great divide from the romantic and naturalistic account of nationalist ideology: her analysis concentrates on the thematic of *governmentalization* as the locus of modern power.

But if Latouche and Nicole Laurin-Frenette provide a privileged insight into the Québec case against Canada (and in Laurin-Frenette's perspective against the governmentalization of Québec and English-Canada), then Tom Naylor undercuts the Canadian discourse *from within*. In a highly provocative essay, "Canada in the European Age", Naylor breaks forever with the "parish history" of Canadian intellectuals, and shows the roots of Canadian dependency in the administrative requirements of British empire. Naylor's analysis, which is intended anyway to overcome "Canadian exceptionalism" traces a great discourse on European imperialism in which the place of Canada is simply that of an administrative appendage, part of the circuit of commercial capital, by which the will to power in the European penetrated the North American

continent. Naylor's analysis is much more than a historical narrative: it resituates the main political and accumulative processes in the making of the Canadian discourse within the global context of European imperialism; and it develops the important thesis that "commercialisation of social relations was at heart a political process". Naylor's essay is at once an extension of Laurin-Frenette's claim made in *Production de l'état et formes de la nation* of the national policy as an effect, and not only an instrument, of the centralisation of the operations of finance capital as part of *les réseaux* of the bourgeois class in North America. This article is an important complement to Drache's thesis concerning the complex political processes involved in the historical formation of Canadian industrialization. Naylor's inquiry is located just at that juncture where "Canada in the European Age" passes over into its opposite, Canada in the American Age: where, in fact, Kari Levitt's *Silent Surrender* begins.

The special issue on *Beyond Dependency* concludes with two interesting accounts of some possible mediations in the dependency debate.

In his essay, "The Canadian Bourgeoisie: Towards a Synthetical Perspective", the Québec political theorist, Jorge Niosi, examines the major cleavages between "nationalists" and "internationalists" in socialist discourse, and proposes a more unitary perspective on the "internal composition, rivalries and changes within the Canadian bourgeoisie". Niosi's essay makes an important contribution to the dependency debate both by developing a position on Canadian economic development which differs from the "left-Innisian" perspective in crucial ways, and by locating the developmental strategy of the "hegemonic fraction" of the Canadian capitalist class in a "continental or rentier nationalism".

The final article, "Ethics, Economics and Canada's Catholic Bishops", is an insightful and provocative commentary on the implications of the recent policy statement by the social affairs commission of the Canadian Conference of Catholic Bishops on the economic crisis. Christopher Lind notes that the most original and compelling aspect of *Ethical Reflections on the Economic Crisis* has to do with its reassertion of the *moral dimension* of political economy. It is now all the more apparent that in the struggle between the disciplinary model of neo-conservatism and the various critical tendencies of the left that there takes place a great and fundamental contest between competing public moralities. It's all *market efficiency* on the side of the capitalist class, and *economic justice* as the public ethic of the dispossessed. Indeed, Lind's analysis points out, albeit implicitly, that the present economic convulsion which sweeps across the advanced industrial societies and then into the third world is focussed on an *allocation crisis*. What's at stake in the debate between monetarists and emancipatory forces, ranging from liberation theology to critical labour movements and socialist critiques, is a decisive struggle over the standards to be applied in determining such crucial issues as income redistribution and the availability of social services. Lind's analysis points to the need to rethink the relationship of ethics and dependency, and to do so in a way that would draw the parallels between the Latin American situation and the Canadian case. It's his

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thesis, and this adopted from *Ethical Reflections on the Economic Crisis*, that only a fundamental debate on ethics and economy can expose the terrible consequences which follow from the subordination of society to the "ethic of means": the public morality of advanced capitalism. While Lind's recovery of the question of "public ethics" breaks sharply with Marxist political economy (thus exposing the irrelevance of an *aethical* and *atheoretical* Marxism for understanding the nihilism of modern society), it points the way to a much broader debate. Over and beyond the deep and, indeed, scandalous immorality which is a necessary condition of the present economic crisis, there is now even a more grisly immorality at work in the Canadian discourse. While the economic crisis can be explained, in part, as the result of Canada's vulnerability to *external* transformations in the logic of advanced capitalist society, there is no such easy explanation of the injustice involved in the recent decision by the Canadian Liberal government to accede to the testing of the Cruise missile on Canadian territory. It's just this decision to become a principal partner, if only for testing purposes, in the nuclear war industry which reveals both the extremity of Canadian dependency and the extent to which the nihilism of technological reason has been absorbed into Canadian experience: into our politics, economy, and psychology. We are now active contributors to the global logic of exterminism. It's not sufficient to say that the Cruise missile decision represents the final surrender of Canadian sovereignty. It is that of course; but over and beyond the Canadian fate, that of a relatively small culture in a global society, there is the unanswered question of what are we to do now that we are implicated in what is most certainly a deliberate and cynical crime against humanity. In modern society, power comes in two disguises: sometimes under the sign of seduction, and sometimes in the form of terrible oppression. Our ambivalent status as privileged participants in the wealth of American empire and as its impotent political dependents does not make the deep moral compromise in our national existence any easier to bear. Not to struggle against economic injustice, not to consider the "Cruise" as a war crime in which we are the criminals is to provide an unforgivable moral assent to demonic forces at work in western industrial societies. What Lind has described as the narrow "utilitarian calculation" at the heart of Canadian society represents the limit and horizon of dependent being in North America. The driving principle of Canadian public existence is this: *injustice for the weak and economic privileges for the politically compromised.*

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Notes

1. This analysis of *The Journal* is further developed in A. Kroker, "Technological Humanism: The Processed World of Marshall McLuhan", *The Technological Experience: Innis/McLuhan/Grant* (forthcoming).
  2. Greg Nielsen, "Cultural Praxis in Anglo-Canada: 1939-75", an essay presented at the Annual meetings of the *Canadian Association of Sociology and Anthropology*, Learned Societies, University of British Columbia, May, 1983.
  3. The concept of Canada as an "advanced dependent" nation is developed by Raymond A. Morrow in his excellent essay, "*Deux pays pour vivre: Critical Sociology and Canadian Political Economy*", *Canadian Journal of Political and Social Theory*, special issue, "Québec: Culture and Political Economy", Vol. 6, Nos. 1-2, Spring, 1982, 61-105.
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