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The Content and Context of the Work of H. A. Innis

The eccentric Innis was too complex a personality and too prolific and varied in his writings to be treated with justice in a short space. He ranks with James Mavor and Stephen Leacock as a great character in Canadian intellectual history. In the present sketch only the main lines of his contribution to economics can be drawn.

The context was an economy experiencing long-run growth with the aid of foreign investment. A period of severe short-run contraction had set in. Surpluses of fixed capital appeared, and structural stresses that had gone unnoticed during prosperity exposed themselves in the form of political demands for reorganization. In face of the problem Innis took his analytical lead from Thorstein Veblen. Neoclassical price economics had not concentrated on technical change or capital accumulation. These were the dominant characteristics of the Canadian case. A new economy required a new, more thoroughly "scientific" economics, and Veblen had pointed the way to it. Innis began the search by exploring the influence of geography and technology on the formation of institutions.

He treated institutions as means to ensure that prices reflect social values—particularly financial institutions as means to the expression of values when, in consequence of innovation, no market criteria exist. In a new country characterized by the uncertainty of pervasive technical change, new institutions had to be created by direct political action. For Innis, the Canadian state itself was essentially a financial institution tailored to a particular phase of technological development. In fact, in this view of things, every frontier area emerging in consequence of technical advance would necessarily be clothed with an appropriately advanced financial structure. From this Innis concluded that young economies don't grow up; they grow from the top down. Thus he offered a third answer to the questions raised by Frederick J. Turner and N. S. B. Gras. In the same way he provided an alternate rationalization for John Rae's opposition to Adam Smith: *laissez faire* in Britain would have been impossible without government intervention in areas on her economic frontier.

Canada's problems were a consequence of the failure of her institutions to cope with the demands of technique and accumulation. Accumulation itself had taken place, but at the expense of adjustments to relative scarcities. In Innis' reconstruction of the case, Canadian development had been predicated on the possibility of realizing a surplus by applying capital-intensive techniques to virgin resources. The capital had to be imported, raising the critical question of how the surplus, or a fair share of it, could be retained in Canada. The answer was to impose a tariff on imported capital goods, thus raising costs and reducing the profits of

foreign investors. The tariff was in effect a tax on profits, the proceeds of which were used for the direct benefit of Canadians and to pay off the debt owed abroad. In large measure the scheme had succeeded, but there were weaknesses. The burden of the tariff had been shifted to exposed sectors of the economy, and initial success had led to uneconomic expansion with consequent excess capacity and unemployment. The whole development, as Innis told it, was an historical exercise in the Joan Robinson variety of capital theory.

The "revolutionary" monetary schemes of the 1930's appeared to Innis very much in the light, or the shadow, of his own insight into the past. They were simply the old device of governmentally supported finance operated by the more powerful machinery of the modern state. Under pressure from a disturbed democracy, the West was about to make the same mistake twice. A number of personal factors encouraged him in this view, not the least of which was his belief that monetary nationalism was just one aspect of a growing propensity to the use of force in international affairs. At the same time he was dismayed to see so many economists abandon "scientific objectivity" for the short-run preoccupations of the political arena. Innis thought of Keynes as a journalist rather than an economist.

The spectacle of the economist-turned-politician was profoundly disturbing to him. Following Veblen he had criticized price economics for its inability to handle values with scientific adequacy. As it became increasingly apparent to him that political bias was the foundation of economic doctrines and policies, he turned to the elaboration of a theory of value based on the determinants of public opinion. Financial institutions took shape in response to the physical characteristics of technique, and values were formed in response to the physical characteristics of the technique of communication. Technical constraints on talk created bias in its content. From this seminal notion he developed a new interpretation of the history of civilization.

During his last years he made an heroic attempt to trace the impact of changes in the media of communication on market commodity and time preferences. How were values related to techniques? How were they embodied in institutions? How had the physical characteristics of the means of communication reflected themselves in the spatial extension and duration of economic systems? He pursued these questions over a sufficient period to demonstrate the validity and usefulness of his insight, but no tidy answers were reached.

Taking Innis' work as a whole it can be summed up as an attempt to construct a new economic theory. The attempt led him through an exploration of the physical structure of capital to valuable insights into the role of institutions in economics and to a mature analysis of capital accumulation. It led him to develop a theory of value outside the concepts of price economics, but it did not lead him to a substitute for price economics itself.

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