

THE HINTERLAND PERSPECTIVE:
THE POLITICAL ECONOMY OF
VERNON C. FOWKE¹

Paul Phillips

The recent reissue of Professor V.C. Fowke's *The National Policy and the Wheat Economy* provides a welcome opportunity to re-evaluate the contribution made by this prolific, but all too often neglected, scholar to the understanding of Canadian political economy. Perhaps the failure by Canadian social scientists to rank his work with the justly renowned staple works of Innis, Lower, Creighton and Macintosh is a consequence of Fowke's hinterland perspective. On the other hand, acceptance of his interpretation of the national policy is so complete by our contemporary generation of academics that it is possible that his contribution is simply not recognized. In any event, it is time to review Fowke's re-issued work (which ranks with *Canadian Agriculture Policy* as his most important, although not his last), in the context of some others of his major works which comprise a core of his life's work.²

Fowke's prime economic focus was established early in his academic life as he notes in the preface to *Canadian Agricultural Policy*, (a modified version of his PhD thesis). His interest was, "the interpretation of Canadian agriculture policy [and] of the place of agriculture within the framework of the economic and political life of Canada."³ In contrast to Innis' and Lower's studies of fish, fur, timber and mining which concentrated on these commodities as *staples*,⁴ Fowke was interested in agriculture *per se*, as settlement frontier, not just in its periodic function as a staple industry, but also in its other historic non-staple functions. He sets out explicitly his interpretation of agriculture's dependent function.

The clearest and most significant uniformity regarding Canadian agriculture for more than three hundred years has been its deliberate and consistent use as a basis for economic and political empire It has served as an instrument of empire in different ways according to the

PAUL PHILLIPS

requirements of place and time . . . first, as a means for the defense of territory and trade routes; second as a provisioner of the great staple trades; and third, as the provider of investment opportunities on the agricultural frontier.⁵

Agriculture, in this view, has for most of its Canadian history been a *policy taker* rather than a *policy maker*, farmer power varying "in proportion to the contribution which agriculture could make at any given time, to the cause of commerce, finance, and industry".⁶ The farmer stands in sharp contrast to Creighton's merchant class, the ruling elite of the commercial empire of the St. Lawrence.

These imperial political and economic interests, which were at once so wide-spread and so deep-rooted, were represented by the successive generations of Canadian merchants; and it is largely from the point of view of the commercial group that [*The Commercial Empire of the Saint Lawrence*] has been written. It was the merchants, above all others, who struggled to win the territorial empire of the St. Lawrence and to establish its institutional expression, the Canadian commercial state; and though their influence was undeniably less than the pressure which they persistently applied, they may be regarded as one of the most continuously important groups in Canadian history.⁷

Such a metropolitan elitist view is in pointed juxtaposition to Fowke's concern with the "hundreds or thousands, even hundreds of thousands, of farmers competing in the same market with the same product."⁸

This, then, is the hinterland perspective, the economic inferiority of the competitor in the price system facing the monopoly of power of the established and (relatively) powerful metropolis; a combination of the dependent nature of the hinterland and the bargaining inequality between atomistic competitor and concentrated oligopoly. It is the key to understanding the political economy of Vernon Fowke; *prairie populism* grounded in serious scholarship backed by solid economic reasoning and prodigious historical research. There are four distinct elements in Fowke's analytic schema. All of these are functionally inter-related in his analysis of the role of Canadian agriculture, but are worth

VERNON C. FOWKE

discussing separately before they are integrated in an appraisal of his interpretation of the nature of the Canadian state. These elements can be classified under the following headings: a) the function of Canadian agriculture; b) the frontier of investment; c) competition and monopoly in the price system; and d) the (national) policy framework.

The Function of Agriculture

Within Canadian experience agriculture has played divers roles but always within the framework of the price system. If, indeed, the pioneer farmer was self-sufficient as is often assumed, he would be of marginal interest to the economic historian though perhaps not to the anthropologist.⁹ Despite the fact that income in kind and of home manufacture represented a much larger percentage of total consumption in pioneer society than it does today, the pioneer society was never completely divorced from the exchange economy although French Canadian agriculture approached a marginal status in the period after the Conquest and during the 19th century. Even at this time, however, habitant agriculture supplied the fur, timber and New England textile industries with market supplies of labour.¹⁰

This should not be taken to imply that agriculture consistently functioned as the *basic* industry in the physiocratic sense, the ultimate source of all income. In fact, for most of (European) Canadian history, agriculture played an essential functional role, but not as a staple or even *main* industry. Initially, (excluding native agriculture), and periodically in Canadian history, "agriculture has been considered essential as an instrument of defense, providing armsbearers, transport and provisions."¹¹ This was specifically the function of agricultural settlement in New France and was a critical, if not the determining, factor in the adoption of the feudal form of seigneurial land tenure, an agricultural system organized for military purposes.

The defense function is evident in Acadian settlement (and in the expulsion), in English settlement in the maritimes, in Loyalist settlement, "a *cordón sanitario* against the contamination of that deadly political error, American republicanism",¹² in protecting the British northwest from the American imperialism of manifest destiny, and in supplying essential war materials (food) to the allied effort in the two global conflicts of the 20th century.¹³ The point to be made is that the defense function is necessary to the security of the existing exchange system which, in Canadian history, was not a local subsistence economy but part of a trans-Atlantic world economy.

Agriculture's second function before it became a staple itself, has been as provisioner of the other great staple trades; fish, fur, timber, potash, intermittently even of sugar, and of the commerce associated with these staple

PAUL PHILLIPS

trades. With economic development and industrialization, the provisioning function has broadened to service a more diversified and increasingly urbanized population — in contemporary terminology, to meet the agricultural products component of the final demand linkage.¹⁴ The integration of provisioning agriculture into the exchange economy is obvious and should need no explanation, despite its neglect by some economic historians.

By mid-19th century, agriculture in Upper Canada evolved to a well established staple export "of profitable proportions".¹⁵ But if staple export agriculture provides market-linked opportunities for the employment of labour and commercial, financial and industrial capital in the production and marketing of the product, these opportunities in a developed but static economy are much less dramatic, much less a stimulation to the economy, than the economic opportunities associated with the developmental process, the outward movement of the settlement frontier. This process, because of the immigration and settlement of very large numbers of people (proportionately at least), creates the opportunity for profitable investment of quite unusual size. This is compounded if the process of immigration and settlement also requires massive investments in infrastructure, specifically transportation systems and the network of commercial urban centres. This stimulation to the economy does not depend on agriculture achieving the status of staple, but merely that the agricultural frontier be expanding at a rate significantly large relative to the size of the existing domestic economy. The commercial interest is in agricultural expansion.¹⁶

The agricultural immigrant to Upper Canada contributed to the creation of profitable investment opportunities as he was being outfitted at home before his departure, as he purchased ocean passage, as he moved inland from Quebec and bought transportation, accommodation, and provisions on the way, and, finally, as he purchased additional equipment and provisions to take with him to his back lot farm. But the original settlement was only the starting point, and similarly the original outfit of tools, personal effects, and provisions was but the starting-point in the settler's demands for capital equipment and consumers' goods and services. The frontier settler did not attain self sufficiency upon arrival at his farm, or, indeed, at any time thereafter. Contemporary evidence makes it clear that his demands on the commercial system for capital equipment and consumers' goods persisted and became increasingly diverse in proportion as he became more and more settled.¹⁷

VERNON C. FOWKE

It was this development role of the settlement frontier and the profits that expansion made possible that was, for Fowke, the dynamic that most influenced the course of Canadian policy and the nature of the Canadian state in the 19th century up to 1930 with the establishment of the western wheat economy. It has placed its indelible stamp on the nation, its structure, its politics and its destiny.

The Frontier of Investment

The previous discussion of the dynamic role of agricultural settlement is a specific example of a general dynamic that Fowke identifies as the propelling force in Canadian economic development, the investment frontier; an integration of Turner's frontier thesis with the Keynesian model. Turner, the American historian, advanced the proposition that the political dynamism of American society — the *American way of life* — was the result of the interaction of the geographical frontier, the western limit of free land, with inherited European institutions. Fowke, the Canadian economist, recognized that there was no continuously westward moving frontier in Canada due to the intervening geographical barrier of the Canadian Shield, but that the *economic* dynamism of the Canadian economy was the result of the interaction of investment opportunities created by *frontier* resources with the established commercial economy. As he says:

The 'frontier role' of agriculture now becomes obvious. Whatever may be the essential features of the agricultural frontier for the historian, the sociologist, or the political scientist, for the economist the frontier's essential features are its investment opportunities. In fact, for the economist such questions as whether or not the frontier is exclusively an agricultural concept, or whether or not it must be looked for 'on the hither edge of free land' are quite beside the point. The frontier at any point in time is whatever place and whatever economic activity gives rise to investment opportunities on a substantial scale.¹⁸

There is, in Fowkes' conception, the obvious influence of Keynes, whose theory must have been sweeping the economists' world when the young Fowke was preparing his first major work.¹⁹ Keynes was primarily concerned with the cyclical implications of investment opportunities but Fowke, possibly under the influence of Hansen, was more concerned with the long run or growth im-

PAUL PHILLIPS

plications, foreshadowing the Keynesian type growth models of Harrod and Domar. A precondition of an expanding capitalism, Fowke argues, is an upward shift in opportunities for profitable investment. The economic frontier occurs where opportunities exist for profitable investment independent of whether these occur at a definable geographic location or, alternatively, in a specific industry or group or related industries.²⁰ He quotes Hansen in support: ". . . the economic frontier of any country must always be conceived of not in terms of its own boundaries, but in terms of the possibility of capital investment throughout the entire world."²¹ Or in Fowke's words, "an investment frontier may be geographically diffused but it nevertheless has tangible, concrete expression in the process of real-capital formation."²²

What we have here is a forerunner of modern linkage theory. The critical element, in terms of the impact of an investment frontier and in particular of agriculture, is that the investment dynamism is the *establishment phase*. This establishment phase is that of immigration and settlement and it is characterized by widespread fixation of necessary capital investment.²³ In short, "there is a great difference between a continuing commerce and an expanding one."²⁴ In a staple economy, the cyclical growth and prosperity swings reflect the *accelerator* effect of the investment frontier. As Fowke notes, the critical factor for induced prosperity is the *rate* of agricultural expansion since, *ceteris paribus*, investment opportunities depend on the rate of growth.²⁵

Nevertheless, the total volume of investment opportunities depends both on the growth rate and the size of the investment frontier. This is suggested by Fowke's comparison of timber and agricultural lands. "Acre for acre, the servicing of the prairie frontier offered less prospect for profitable enterprise than did timber lands, for clearing was unnecessary, and each acre would absorb less in the way of capital and business resources; *but there were so many more acres.*"²⁶ (The opposite may be said for the precambrian staples that developed after the turn of the century).

Competition and Monopoly in the Price System

The essential problems of growth in an economic society may not be only those of the rates of accumulation and innovation but also the problem of *balance* between different sectors of the economy. That is, the real question may be, not the average (short-run or long-run) degree of competitiveness in the system but rather the differing degrees of price competition in *different parts* of the system. The enlargement of such differences may lead to increasing inequities in the distribution of income and in the acquisition of property rights.²⁷

VERNON C. FOWKE

In Fowke's analysis of the role of agriculture in the creation of an investment frontier, he was vitally concerned with the question of the distribution of economic *power*, its influence on the distribution of income and wealth, and, in particular, its relation to the competitive inferiority of the agricultural hinterland. Indeed, if one were to summarize (somewhat simplistically in one sentence) the essential concern of *The National Policy and the Wheat Economy*, it would be the struggle of the competitive hinterland for equity against the state fostered monopoly power exercised from the metropolis, central Canada.

The economic origins of monopoly were simple and straightforward. The immense capital requirements of the commercial and transportation infrastructure provided the basis, indeed necessity, for expenditure by one, or at most a few, large enterprises. Given the prevailing *free enterprise* ideology, these large capital agglomerations, even when the capital came largely from, or with the assistance of, the public purse or tariffs (or both), were alienated to provide ownership and control (except, of course, where there remained no expectation of potential operational profits even after subsidy as with the canal system or the Intercolonial Railway).²⁸ Nor was there any real opposition to the freedom of industrial or commercial capitals to merge or combine to prevent competition, for the ideology meant "freedom to compete and, except for exceptional cases, freedom to combine; it has meant freedom to grow large and economically powerful or to remain small and weak."²⁹

The story of the agricultural hinterland's response to eastern monopoly power is the story of the farmer campaigns for government action to repair the competitive inferiority of agriculture, an inferiority dictated by the large numbers of small producers and the uncontrolled and unstable world market of export agriculture; and, failing government action, a resort to co-operative organization and the pools to bring *balance between the different parts of the system*.³⁰ Any governmental support for the farmers' campaign was forthcoming only when their interest "clearly coincided with those of some other [dominant] group . . ." centered in the metropolis.³¹ Two major examples which Fowke examined in detail can be cited, agricultural royal commissions between 1900 and 1930, and the farmer campaign for compulsory government pooling and marketing of wheat. In the first case, the early royal commissions on grain handling were staffed with farmers because the government accepted that, on the issues involved:

monopoly would stifle rather than promote western expansion, and thus imperil the national policy . . . So sure was the Dominion government of what it wanted to be forced to do, and so certain was it that on this point the

PAUL PHILLIPS

views of western agrarian leaders were fully in accord with its own, that it manned its early commissions either exclusively or predominantly with farmers.³²

After 1920, however, when the farm organizations challenged the very symbol of the *free market*, the grain exchange, the royal commissions were staffed with lawyers, railway officials and economists, representatives of the monopoly part of the system. "There was no longer any possibility of harmony of interest."³³

On the second case, it need merely be noted that compulsory pooling and marketing of grain was legislated twice, not to repair the competitive inferiority of agriculture and maintain remunerative price levels, but to prevent grain prices from *rising* during both the first and second world wars when the exigencies of the conflicts provided agriculture with competitive superiority.³⁴

To alter the balance of economic power in favour of the hinterland would reduce the profit opportunities offered by the investment frontier and hence undermine the role of agriculture as it was perceived in the national policy. Without an understanding of the national policy, therefore, it is impossible to comprehend fully the political economy of the Canadian federation and the nature of the economic growth in Canada over the last century.

The National Policy

If there is one common thread that runs continuously through Professor Fowke's works it is his concern with the formation and impact of policy, a concern readily apparent not only from the titles of his major works but also from the fact that so many of his writings took the form of reports of, or submissions to, royal commissions on various aspects of economic policy. It is within the framework of policy that the other parts of his theoretical system are integrated. It is also for his elaboration of the economic consistency of the national policy that Professor Fowke is recognized as a significant figure in Canadian economic history.

Generically, national policy can be defined as those specific policy measures, "integrated functionally toward the furtherance of fundamental and persistent government aims."³⁵ In the 19th century Canadian context this includes, "that group of policies and instruments which were designed to transform the British North American territories of the mid-nineteenth century into a political and economic unit."³⁶ While the term *National Policy* was applied specifically to the tariff system in the election of 1878 and introduced by the Macdonald Conservatives in 1879, it is, in itself, only one element in the national policy as

VERNON C. FOWKE

defined above, a policy with origins that pre-date Confederation and, indeed, required Confederation as the political instrument of its implementation.³⁷

The national policy was, in reality, a policy of desperation, dictated by the disappearance of the favoured alternatives, imperial or continental economic integration. It was the consequence of actions taken by the two imperial systems, Britain and the United States, either to cut loose from Britain or bar access to the United States of the dependent Canadian economy.³⁸

The three policy initiatives associated with the national policy are generally accepted as the transcontinental railway, the system of tariff protection, and immigration and western (agricultural) land settlement. To be completely accurate, Confederation should also be considered a fourth pillar of the national policy because without the BNA Act and the distribution of powers contained in it, the national policy had no instrument of implementation or of functional integration.³⁹

The evolution of the four main elements of the national policy point to the growing awareness of the geographical realities of the northern half of North America. The Canadian Shield interrupted the western movement of the settlement frontier unlike the movement of the frontier in the United States as, indeed, did the western mountains when the time came to integrate the mining frontier of British Columbia into the Canadian economy. The recognition of the necessity of transportation and communication facilities linking the component regions in an economic unit came early but because of the necessary complement of capacity with traffic, the creation of a transnational link must occur simultaneously with western *commercial* settlement that would generate two-way traffic necessary to make economical the massive investment required. In the conceptual framework of modern development economics, such a development plan required a degree of balanced growth, inter-regional and inter-sectoral.

Immigration and settlement policy, including purchase of Rupertsland from the Hudson's Bay Company, reservation of crown lands in the Northwest for federal purposes, assisted passages, colony settlement, the homestead acts, and all the other sundry measures to promote immigration and agricultural research, comprise one element in the required complement. The *protective* tariff comprises another since only with such a tariff could westward traffic over the unprofitable barren lands north of the Great Lakes be guaranteed against the American competitive advantage of cheaper access. In short, the protective element in the tariffs should be considered primarily as protection for the railway, and only, incidentally, protection for manufacturing development. This, not unnaturally, suggests why little concern was expressed in the boom periods of western expansion (1900-1913), at least among policy makers, at the considerable penetration of American branch plant capital into Canada, a penetration which has since only intensified.

PAUL PHILLIPS

The enactment and elaboration of such an integrated development strategy required an institutional agent with the appropriate powers. The BNA Act provided such an instrument, the component parts of the national policy being within the jurisdiction of the new federal authority.⁴⁰ The end of the first national policy period in 1930 has been accompanied by increasing obsolescence in the Canadian constitution made tolerable only by amendment (family allowances, unemployment insurance), by federal-provincial agreement and shared-cost programs and, in a few cases, by judicial re-interpretation. It is obvious, therefore, that contemporary Canadian political-economy was shaped, cast and confined in the institutions of the past and may only be understood with an appreciation of the national policy and its economic ingredients.

View from the Hinterland: The Nature of the Canadian State

If Creighton can be said to be the champion of the St. Lawrence merchant class, Fowke can be seen as his hinterland counterpart, chronicler of the vision of the great mass of farmers on the land. Fowke is unambiguous. Canadian agriculture, historically, has been molded and manipulated to serve the interests of the ruling class; up to the mid-19th century, the trans-Atlantic mercantile interests and, with the abrogation of the imperial system after the 1840's, the St. Lawrence mercantile elite.

Again in contrast to Creighton, Fowke's opinion of the merchant class' Canadian vision is somewhat jaundiced. In reference to the mid-19th century, Fowke has noted, "Canadian merchants never paid much attention to the international boundary. If the Canadian capitalists had been able to cash in on the [U.S.] frontier development, there probably would have been no Canadian nation."⁴¹ By implication, therefore, the Canadian nation was the vehicle for guaranteeing the economic vested interests of the merchant class; or as he puts it himself, the Canadian nation was, "designed by commercial interests with the intention of making use of agriculture for commercial purposes."⁴²

Romantic myths of visionary fathers of Confederation serve only to mystify reality, to glorify a self-seeking economic elite and to justify what was, and was intended to be, an exploitative relationship. It is perhaps desirable to demonstrate in some detail how and why Fowke reaches his conclusions. First, he goes to great lengths to exorcise the myth of the self-sufficient hardy pioneer wresting his every need from a grudging nature.

It is held to be demonstrable rather than merely arguable that the Canadian pioneer was at no time self-sufficient, that he was from the beginnings of his

VERNON C. FOWKE

migration and throughout his pioneer days inseparably tied in with the price system and the urban economy on a national and international basis It is one of the contentions of [*The National Policy and the Wheat Economy*] that the exchange activities of the Canadian frontier settler in eastern Canada were far from negligible and that his integration into the price system did not await or depend upon his production of a staple agricultural export.⁴³

Even before 19th century settlement in the Ontario region, agriculture had played important complementary roles in the mercantile system, first for "defense of territory and trade routes", and second, "as a provisioner of the great staple trades".⁴⁴ Agriculture was clearly subservient to the interests of mercantilism. "The clearest and most significant uniformity regarding Canadian agriculture for more than three hundred years has been its deliberate and consistent use as a basis for economic and political empire."⁴⁵ The evolution of Ontario agriculture by mid-19th century to the stature of a staple export did nothing to alter its subservient status as "auxiliary to commerce".⁴⁶ Nor did the opening of the *last-best west*, the Canadian prairie. In the imperial dominance of commerce, "the period 1850-1930 forms a unit."⁴⁷

As a staple, either in 19th century Ontario or the 20th century prairies, agriculture was not supported for itself but rather for the investment frontier that the staple created on both the input and output sides, indeed in the development process itself. By the 1850's the coincidence of immigration and settlement with buoyant economic conditions in the first half of the century came to the awareness of the merchants of the St. Lawrence.⁴⁸ Then, ". . . Canadian governmental policy came to be squarely based on a full realization of the significance of immigration and agriculture settlement for the well-being of the entire economy."⁴⁹

The problem for the empire of the St. Lawrence was that by mid-century the Ontario agricultural frontier tributary to the St. Lawrence was approaching the limits of extensive cultivation. Canadian policy involved two prongs, the further promotion of immigration and settlement into the unsuitable and inhospitable fringes of the Canadian Shield, and a renewed, costly and ultimately unsuccessful attempt "to bring the Canadian commercial economy into effective contact with the American agricultural frontier."⁵⁰ In short, the publicly supported Grand Trunk Railway was initiated in the attempt to make the American western frontier at least partly tributary to the St. Lawrence, the same dream of Creighton's first commercial empire which collapsed with Britain's abandonment of the imperial mercantile system.⁵¹ But Fowke quite

PAUL PHILLIPS

explicitly rejects Creighton's assertion that "with this repudiation of its past and this denial of its ancient principles, [the 1849 annexation manifesto] the history of the Canadian commercial state comes to a close."⁵² Fowke considered the Grand Trunk Railway the last attempt to capture the linkages of the American frontier for the merchants, but not the last attempt to create a tributary hinterland.

By 1860 it was apparent that the St. Lawrence commercial system had no chance of sharing in the agricultural trade of the American frontier. If the St. Lawrence merchant group were to look to an expanding agricultural frontier for profitable employment, it would of necessity be one of their own creation.⁵³

Thus, the necessity of the national policy, was made doubly urgent by the American expansionism that threatened to pre-empt the last potential hinterland of the St. Lawrence. Agricultural settlement, therefore, plays the dual role of investment frontier and defender of the territorial integrity of British North America.⁵⁴ It should be noted that the two functions are inextricably linked, not only in Fowke's hindsight, but in the minds of many of those parliamentarians now characterized as *Fathers of Confederation*.⁵⁵

The economic purposes of the national policy were essentially commercial, and, to that extent, involved merely a continuation of the type of activities characteristic of the fur trade and the timber trades. But the commerce contemplated in the new policy was not only tolerant of but primarily dependent upon immigration and agricultural settlement.⁵⁶

Thus, the national policy, far from being a break with the commercial empire of the St. Lawrence was, in fact, its latest and ultimately most successful manifestation. Fowke's characterization of the national policy and its function for agriculture as *consistently commercial* would seem also to place him on the merchant capitalism side of the contemporary debate on capitalism and the national question. In some ways there is a strong similiarity between Fowke and Tom Naylor, the most articulate exponent of the commercial view, when Naylor says, "Canadian Confederation and the subsequent national policy are an unambiguous example of British mercantilism in action."⁵⁷

VERNON C. FOWKE

This would appear to be very similar to Fowke's statement already quoted that "the Canadian nation was designed by commercial interests with the intention of making use of agriculture for commercial purposes."⁵⁸ While the similarity is, in many ways, striking, Naylor goes on to say that the national policy was the work of descendants of the mercantile class who aligned themselves in 1837 with the Colonial Office "to crush the indigenous petite bourgeoisie and nascent industrialists."⁵⁹ Thus the national policy was in basic conflict with industrialism. Naylor argues: "Preventing competition is what industrial protectionism is all about and this is not what Macdonald's tariff was intended to do."⁶⁰ Quite the contrary, according to Professor Fowke. That is precisely what the national policy's intention was: to prevent the competition from the American commercial system. This also implied preventing competition from the American industrial system. Indeed, there was a harmony of interests which is integral to Fowke's analysis.

The key to this harmony lies in the recognition of the importance of an ongoing investment frontier for general economic prosperity.⁶¹ Throughout the expansive periods of the 19th century, the agricultural frontier provided both an extensive and intensive frontier for investment opportunities within the commercial system "on both sides of the Atlantic as well as in the North Atlantic shipping services."⁶² But Fowke uses the term *commercial* in a rather broad way, as a synonym for *business*, including the specific capitalist functions of commercial, financial *and* industrial capital. This is made clear in many places, explicitly in the following passages. "Immigration and settlement in the upper St. Lawrence region were *commercial* as well as agricultural processes. They enormously expanded the field of investment opportunities for commercial, transportation, and *manufacturing* capital within and beyond the new territories."⁶³ The diversity of the investment frontier is a function of the degree of settlement⁶⁴ and of urban development.⁶⁵

The underlying, but not necessarily recognized, complement of mercantile and industrial interests implied the exclusion of American located business from the profits of the lucrative development process of the Canadian west. Exclusion could be achieved through the agency of a national policy which integrated transportation, tariffs and agricultural settlement. Fowke is worth quoting at some length on this point.

It is clear that Canadian rail lines linking central Canada with the Maritimes and the West provided only the physical facilities for the movement of goods: they did not in themselves make it certain that manufacturing facilities would develop in the central provinces to supply the outlying regions. Without protective measures of some

PAUL PHILLIPS

sort, manufacturers in central Canada could secure and hold the markets of the outlying regions only if they could deliver goods in competition with the highly efficient mass-production industries of the eastern and middle-western United States. This they have consistently alleged they could not do.⁶⁶

If the provincial tariff of 1859 was designed primarily for revenue [for transportation infrastructure], and incidentally for protection, the Dominion tariffs enacted in 1879 and subsequent years were designed primarily for protectionism, and incidentally for revenue. This change in emphasis was essential to the national purposes. Construction of a Pacific railway would make possible the economic development of the West. Protective tariffs would foster interprovincial trade in place of international trade. Canadian manufacturing would be assured as fully as possible of exclusive rights to the total Canadian market. Together, railways and tariffs would integrate the expanding area of economic activity. Tariffs would ease the burden of improvements in transportation by providing railway traffic and a more diversified economy as a source of tax revenues.⁶⁷

The aim of the national policy, therefore, was to monopolize for Canadian capital the profits of western development.⁶⁸ While its original impetus may have been primarily mercantile, there was, by the mid-19th century, no major conflict between the interests of industrial and mercantile capital. Nowhere in Fowke's work is this more clearly and brilliantly outlined than in his *Submission for the Province of Saskatchewan to the 1960 Royal Commission on Transportation*.⁶⁹ The imperialistic character of the national policy is well documented in the wresting of the south eastern British Columbia mining frontier from integration with the American economy into a hinterland area of Canadian capitalism,⁷⁰ in large part at the expense of the Canadian public.

What then can we conclude about Fowke's conception of the Canadian state in the century or so before 1930? First, it was imperialist in its designs on the western hinterland. While it was truly a counter imperialism to American imperialist designs on western British North America, it was imperialist nevertheless.⁷¹ The western development process was to provide the profits for central Canadian capital. The national policy was the policy framework through which this was to be ensured. Second, the Canadian state in the form of the BNA Act and its institutions, specifically the federal government, "was the

VERNON C. FOWKE

creature of the national policy and its most prominent instrument . . . The federal government was created an agent within the framework of the first national policy and continued to act as agent until, with the attainment of the objectives of the national policy it had exhausted its usefulness to its original principles, the commercial, financial and manufacturing interests of the central provinces.'⁷²

Imperialism is rarely, and then normally only incidentally, designed to benefit the colonial regions. What, then, can be said of the distributive equity of the national policy and its instruments? Deliberate inequity was built into the inferior constitutional status of Manitoba and the Northwest territories (Saskatchewan and Alberta after 1905) by the reservation of crown lands for Dominion purposes. Homestead grants, admittedly, returned a considerable amount of the equity to settlers which ultimately was capitalized in property values. Pre-emption rights no doubt also contributed to settler equity although how much was expropriated by speculators is a matter of conjecture.⁷³ The dual and conflicting role for land, enticing settlers (free or cheap land) and financing the railway (expensive land) also limited the ability and desire of the CPR to appropriate the maximum economic rents. In fact, the CPR favoured cheaper land as traffic was more profitable than capital gains in land.⁷⁴ Nevertheless, there is no doubt but that the CPR is a monument to public enterprise⁷⁵ for private gain. The return of what little remained of potentially productive Crown land to the prairie provinces in 1930 occurred only after western agriculture "had served its original purposes in the national economy [when] the great period of capital creation on the prairies was at an end, and [when] in future the frontier dynamics would have to be sought elsewhere,"⁷⁶ in the mineral and forest staples of the Precambrian Shield. 1930, therefore, marks the end of the period during which western natural resources were expropriated by Central Canada for its imperial purposes. Land was not the only wealth transfer to the commercial empire. Massive public subsidies to the railways and indirectly to the railway contractors were effected through the tax system in which tariffs constituted a major, if not dominant role.

Much has been made of the role of tariffs in income distribution in Canada reflecting economists' preoccupation with the static theory of trade.⁷⁷ Fowke, concerned more with the dynamic aspects of development, is less inclined to stress the distributive equities as contrasted with the structural and monopolizing effects. As he points out, the prairie *developed within the already established tariff structure*, so that the introduction of protective tariffs did not confiscate existing equities.⁷⁸ Nonetheless, regional differentiation of incidence existed, primarily expressed in the value of property restricting the increase in values in the western agricultural areas and enhancing the property values in the central provinces. At the same time, industrialization of central Canada pre-empted the development of manufacturing in the west by acquired comparative advantage.⁷⁹

PAUL PHILLIPS

The prime impact, however, lies in the role of the tariff to make the Canadian railway system economically viable, a necessary precondition of making the Canadian agricultural frontier tributary to central Canadian capital and preventing American railway penetration. As he notes, "As far as the western provinces are concerned, therefore, Canadian railways are expensive alternatives to American railways rather than to no railways at all."⁸⁰

It should be noted, at least in passing, that Fowke did not dismiss inter-class re-distribution as non-existent or inconsequential. "Wage earners as such have suffered rather than gained because of the tariff, but property owners in central Canada have achieved permanent and substantial gains."⁸¹ To some extent, eastern farmers producing for the domestic market may also have gained by the enlargement of the domestic market at the expense of western farmers producing for the export market.

In the final analysis, however, Fowke stresses the role of monopoly or market power, however created and maintained, by tariffs, royal commissions, legislation, control of resources and capital, judicial acquiescence, or purposeful inaction, in affecting the terms of trade to the disadvantage of the numerically superior agriculturist and in favour of commercial and industrial capital. To a significant extent this is the central theme of *The National Policy and the Wheat Economy* if not most of Fowke's work, and is summed up succinctly in the conclusions to two of his major studies:

One of the most significant features of the national policy has been a persistent disregard of the competitive inferiority of agriculture within the price system. The major era of the national policy which ended in 1930 witnessed no serious attempt on the part of government to ameliorate or even to assess that inferiority.⁸²

[Indeed,] Canadian farmers have been a factor of any significance in directing government policy only when their interests have clearly coincided with those of some other group in the community, whether merchant, carrier, or manufacturer.⁸³

These conclusions say much about the nature of the Canadian state but perhaps not as much as Fowke's analysis of the philosophical foundations of the *free enterprise* ideology that underlay the national policy. Philosophy, however, never was allowed to interfere with "government enterprise and assistance of a development nature" which contributed to the accumulation of private wealth:

VERNON C. FOWKE

If monopolistic elements persisted in appearing they might nevertheless be disregarded as peripheral and accidental phenomena . . . for business men were men of good will with a high regard for their own good names. There was no place in this basic philosophy for trust-busting or even any serious measure of muck-raking. The possibility of instituting public enterprise as a curb and counterpoise to private monopoly was unacceptable. The philosophy was consistent in that it justified equality of freedom to competitive and monopolistic entrepreneurs alike."⁸⁴

Likewise, both rich and poor were forbidden from sleeping on a park bench.

Canadian federalism, at least until 1930, represents no distinct break in the traditions of monopoly-capital exploitation of the competitive hinterland that was the hallmark of the original penetration of the Canadian interior through the monopolistic fur companies. The question is, does the end of the investment frontier associated with the first national policy mark an end to this phase of mercantilism, *neo* or otherwise? In perhaps his best known, and somewhat controversial, article, Fowke suggests that such may be the case although he is by no means confident in his suggestion.

Fowke argues that, since 1930, the federal government has evolved a second national policy involving "the broad field of public welfare; agricultural policy; and possibly money management."⁸⁵ The clearest evidence of the concern for public welfare he finds in Bennett's "new deal" legislation of 1935 which, being largely defeated in the courts on grounds of constitutionality, led to the appointment of the Rowell-Sirois Commission on Dominion-Provincial Relations; and subsequently the Unemployment Insurance Act of 1941 and Family Allowances after 1944. He finds evidence of concern with monetary management in the creation of a Keynesian influenced Bank of Canada in 1935.⁸⁶ Agricultural policy, in this context, is far removed from the agricultural policy of the first national policy, replacing a concern with expansion with that of stabilization. As Fowke notes, "price supports and crop failure legislation had no part in the first national policy but may be regarded as an integral part of the second."⁸⁷

His *second national policy* has a degree of symmetry with the first in that he identifies three constituent parts — the expansion of public welfare, agricultural stabilization policy, and monetary management. One should note that all three may be collectively described as Keynesian type stabilization measures rather than economic development policies.⁸⁸ Nor should one be surprised that such measures should evolve, for the most part, during and after the most disastrous depression in modern economic history.

PAUL PHILLIPS

There are numerous qualifications in the article to suggest that the idea of the second national policy was tentative and qualified. The qualifications appear to be even stronger in his later work, particularly in the *National Policy*. For instance he states, "one may well doubt that Dominion agricultural policy is inspired by a conviction of the competitive inadequacy of agriculture,"⁸⁹ and, "the persistence of doubt concerning degree of permanence in Dominion agricultural policy arises mainly from its lack of theoretical or conceptual content."⁹⁰ One must also seriously ask whether the adoption of a monetarist position by the current Bank of Canada does not signify the abrogation of monetary policy, rather than the adoption of it. If Fowke were alive today one can only speculate that he would agree. However, perhaps the most telling criticism of contemporary national policy, or lack thereof, is his observation that, "the preservation of the east-west axis of trade and transportation is as urgent a requirement today as at any time in the past."⁹¹ This would suggest that contemporary federal policies can be considered as defining national policy only to the extent that they are policies of the national government.

The transfer of the remaining natural resources of the prairie region to the provinces was symbolic of the end of the agricultural investment frontier and equally symbolic of the end of national development policy, in consequence of the growth of provincial power and the geographic dispersion of the new investment frontier. "The constitutional diffusion of the economic frontier in Canada after 1920 was as pronounced as was its geographic diffusion."⁹² In short, we have no national policy and with the rise to dominance of multinational business in Canada, Creighton's lamented commercial elite has finally gained access to the American imperial frontier, as civil servants of American based multinationals. Having achieved this goal, there is no longer any need for a national policy.

Economics
University of Manitoba

VERNON C. FOWKE

Notes

1. I am indebted to a number of my colleagues for their comments on this paper; in particular Irene Spry, Gerry Friesen, Rhys Phillips, Claire Pentland, Ken Hughes and the editors of the *Journal* Arthur Kroker and Allen Mills. Of course, the final interpretation and judgements, for better or worse, remain mine.
2. A selected list of Fowke's writings appears in the attached bibliography.
3. Vernon C. Fowke, *Canadian Agricultural Policy*. Toronto: University of Toronto Press, 1946, p. vii.
4. It can be argued that Innis' focus was transportation and communication and that his concentration on staples reflected his interest in the technological relationships between the development of the staple and of transportation and communication.
5. Fowke, *op. cit.* pp. 3-4.
6. *Ibid.*, p. 9. See also p. 270.
7. Donald Creighton, *The (Commercial) Empire of the St. Lawrence*. Toronto: Macmillan, 1956 (first published 1937). p.v. In the reissue of Creighton's book, the title was changed from *The Commercial Empire of the St. Lawrence* to *The Empire of the St. Lawrence*. Why is not clear, but the original title would appear to be a more accurate representation of the thesis of the book.
8. Vernon C. Fowke, *The National Policy and the Wheat Economy*. Toronto: University of Toronto Press, 1957. p. 101.
9. "Canadian economic historians have not given adequate attention to migration and the agricultural settlement of the St. Lawrence Valley in the Pre-Confederation period. The reason is simple. The traditional assumption is that agricultural pioneers were self-sufficient. If this assumption were correct it would follow that the pioneer farmer had no economic significance to anybody but himself. If he neither bought nor sold, it is clear that he could have no part in the exchange economy, he would be neither borrower or lender. He would have no economic contact with trade or industry, or, indeed, with urban life in any of its economic aspects." *Ibid.* p. 12.
10. Fowke, *Canadian Agricultural Policy*, p. 5.
11. *Ibid.*, p. 273.
12. Vernon C. Fowke and G.E. Britnell, *Canadian Agriculture in War and Peace, 1935-50*. Stanford: Stanford University Press, 1961, p. 20.
13. See *Ibid.*
14. See M.H. Watkins, "A Staple Theory of Economic Growth". *CJEPS*, XXIX, (May 1963). Reprinted in W.T. Easterbrook and M.H. Watkins, *Approaches to Canadian Economic History*. Toronto: McClelland and Stewart (Carleton), 1967.
15. Fowke, *Canadian Agricultural Policy*, p. 275.
16. *Ibid.*, p. 110.

PAUL PHILLIPS

17. Fowke, *The National Policy and the Wheat Economy*, p. 17. For the complete argument and evidence see ch. 2, "Agriculture and the Investment Frontier."
18. Fowke, *Canadian Agriculture Policy*, pp. 107-8. While *land* in this context means agricultural land, in the more general context of the investment frontier, it refers to any natural resource.
19. *Canadian Agricultural Policy* was published in 1946 based on his PhD Thesis completed in 1942.
20. Vernon C. Fowke, *Lecture Notes*. Compiled by Paul Phillips in 1960-61 from lectures by V.C. Fowke in *Canadian Economic History*, p. 5.
21. Fowke, *The National Policy and the Wheat Economy*, p. 71.
22. *Loc cit.* See also *Canadian Agricultural Policy*, p. 107.
23. It is not known to what extent Fowke's investment frontier concept influenced Professor K.A.H. Buckley in his early research but Buckley's *Capital Formation in Canada, 1896-1930*. (Toronto: University of Toronto Press, 1955), constitutes in effect, a quantification of the concept.
24. Fowke, *Canadian Agricultural Policy*, p. 280.
25. *Ibid.*, p. 110.
26. *Ibid.*, p. 141 emphasis added. Also, of course, investment in transportation was much greater.
27. G.E. Britnell, V.C. Fowke, M.C. Timlin and K.A.H. Buckley, "Workable Competition and Monopoly". *Submission to the Royal Commission on Canada's Economic Prospects*, 1956, p. 10.
28. Given the prevailing public morality exhibited by political figures of the day it may be suggested that public ownership was not a viable alternative to private. However, a review of the evidence provided by Naylor (*History of Canadian Business*, Toronto: Lorimer, 1975) would suggest that private business morality was no better, if not worse, than the public. Since many of the individuals were one and the same, it is perhaps not surprising.
29. Fowke, *The National Policy and the Wheat Economy*, p. 47.
30. This constitutes the body of *The National Policy and the Wheat Economy*, chs. 6 to 14. "The western wheat farmer reasoned that there was serious inadequacy in national policies which assured the subsidization of transportation interests by land and money grants and security guarantees, provided for the protection of industry by tariff walls, permitted to economic interests generally the greatest possible freedom in their efforts to avoid the hazards of competition by combination and agreement, and, at the same time, left the agricultural producer exposed to the full rigours of competition both nationally and internationally", (p. 192).
31. Fowke, *Canadian Agricultural Policy*, p. 270. See also p. 272.
32. Fowke, *The National Policy and the Wheat Economy*, p. 191.
33. *Ibid.*, p. 191.

VERNON C. FOWKE

34. *Ibid.*, p. 276.
35. *Ibid.*, p. 4.
36. *Ibid.*, p. 8.
37. Vernon C. Fowke, "The National Policy — Old and New". *CJEPS*, XVIII, (August, 1952). Reprinted in W.T. Easterbrook and M.H. Watkins, *Approaches to Canadian Economic History*, p. 239.
38. *Ibid.*, p. 240.
39. *Ibid.*, p. 242.
40. For the sake of brevity and, I hope, clarity, I have not attempted to summarize Fowke's discussion of the role of the Maritime provinces in Confederation. These were the obvious public finance requisites of union to create such size as to absorb the costs of development and to diversify the economic base. But Fowke notes that the Confederation debate speakers "including several of the outstanding leaders of the day, saw the union of the eastern provinces simply as the starting-point in the creation of a political and economic union which would stretch from the Atlantic to the Pacific . . ." Fowke, *The National Policy and the Wheat Economy*, p. 24.
41. Fowke, *Lecture Notes*, p. 76.
42. *Ibid.*, p. 75.
43. Fowke, *The National Policy and the Wheat Economy*, pp. 12-13.
44. Fowke, *Canadian Agricultural Policy*, p. 4. "Agriculture has served as an instrument of empire in different ways according to the requirements of place and time. Simplest and most obvious has been its use as a defence device, where settlement has been encouraged for the protection of territory and trade routes. Equally widespread has been its use as the provisioner of the great staple trades, whether of fish, fur, sugar or timber, or of carrying trade itself. Provisioning, of course, has been partly a defence function, since in the economic conflict of competitive empires, notably the English and the French, survival necessitated a degree of commercial vitality possible only on a strong agricultural base." (pp. 3-4).
45. *Ibid.*, p. 3.
46. *Ibid.*, p. 7.
47. *Loc. cit.*
48. See Fowke, "The National Policy — Old and New", p. 243.
49. Fowke, *The National Policy and the Wheat Economy*, p. 22.
50. *Ibid.*, p. 23.
51. "Merchants on the St. Lawrence, at Montreal, regarded the St. Lawrence as the natural trade route to the inland frontier, wherever that frontier might lie." *Ibid.*, p. 25.
52. Creighton, *op. cit.*, p. 382.
53. Fowke, *The National Policy and the Wheat Economy*, p. 26.

PAUL PHILLIPS

54. *Ibid.*, p. 33. H.G.J. Aitken has called the latter function *defensive expansion*. See *The State and Economic Growth*. New York: Social Science Research Council, 1959, pp. 79-114.
55. Fowke, *The National Policy and the Wheat Economy*, ch. 4.
56. *Ibid.*, p. 57.
57. T. Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence", in G. Teeple, ed., *Capitalism and the National Question*. Toronto: University of Toronto Press, 1972, p. 14.
58. Fowke, *Lecture Notes*, p. 75.
59. Naylor, *op. cit.*, p. 16.
60. *Ibid.*, p. 20.
61. "The near cessation of immigration and the exhaustion of the Canadian agriculture frontier in the late 1850's coincided with economic recession. The obvious inference was that failure of agricultural expansion was largely responsible for the general economic distress". Fowke, *The National Policy and the Wheat Economy*, p. 243.
62. *Ibid.*, p. 16.
63. Fowke, *Lecture Notes*, p. 21. Emphasis added.
64. *Ibid.*, pp. 17, 19.
65. *Ibid.*, pp. 20-21.
66. Fowke, *The National Policy and the Wheat Economy*, p. 63.
67. *Ibid.*, p. 64.
68. "Their aim was to draw the whole western Canadian region into their commercial and general economic orbit." Vernon C. Fowke, (with G.E. Britnell) "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates: A Study of National Transportation Policy". *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*. Regina: Queen's Printer, 1961, p. 17. See also Fowke, *The National Policy and the Wheat Economy*, p. 69.
69. Fowke, "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates."
70. For a summary of the goals see *Ibid.*, p. 30: For the integrative effects see *Ibid.*, p. 32.
71. *Ibid.*, p. 15.
72. Fowke, "The National Policy — Old and New", p. 245.
73. Fowke, *The National Policy and the Wheat Economy*, p. 60.
74. J.B. Hedges, *Building the Canadian West*. New York: Macmillan, 1939, pp. 79-80.
75. Fowke, "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", pp. 19-20.

VERNON C. FOWKE

76. Fowke, *Canadian Agricultural Policy*, p. 240.
77. In recent years there has been a resurgence of interest among academic economists in assessing the "Costs of Confederation" to the hinterland regions of Canada (See, for example, W. Blackman, "A Western Canadian Perspective on the Economics of Confederation", *Canadian Public Policy*, Autumn 1977; and K.H. Norrie, "Some Comments on Prairie Economic Alienation", *Canadian Public Policy*, Spring, 1976). In fact, these costs are, more accurately, associated with the elements of the national policy, more specifically, with tariffs and transportation policy. Norrie makes the point (pp. 212-214) that many of the prairie grievances arise from the operation of a market economy in respect to a hinterland or peripheral region. It is likely that Fowke would, by and large, have agreed with this assessment. It is precisely the fact that the national policy was designed to create a western hinterland tributary to central Canada that leads to the differences in economic power, and thus to the grievances.
78. Fowke, *The National Policy and the Wheat Economy*, p. 67.
79. *Ibid.*, p. 68.
80. *Ibid.*, p. 69.
81. *Ibid.*, p. 68.
82. *Ibid.*, p. 290.
83. Fowke, *Canadian Agricultural Policy*, p. 270.
84. Fowke, *The National Policy and the Wheat Economy*, p. 290.
85. Fowke, "The National Policy — Old and New", p. 247.
86. *Ibid.*, p. 253.
87. *Ibid.*, p. 258.
88. *Ibid.*, p. 257.
89. Fowke, *The National Policy and the Wheat Economy*, p. 295.
90. *Ibid.*, p. 296.
91. *Ibid.*, p. 297.
92. *Ibid.*, p. 83.

PAUL PHILLIPS

Selected Fowke Bibliography

Britnell, G.E., V.C. Fowke, M.F. Timlin, and K.A.H. Buckley, "Workable Competition and Monopoly". *Submission to the Royal Commission on Canada's Economic Prospects*, 1956.

Fowke, Vernon C., *Canadian Agricultural Policy*. Toronto: University of Toronto Press, 1946.

, and G.E. Britnell, *Canadian Agriculture in War and Peace, 1935-50*. Stanford: Stanford University Press, 1961.

, with G.E. Britnell, "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates: A Study of National Transportation Policy". *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*. Regina: Queen's Printer, 1961.

, "The Historical Setting" *Report of the Royal Commission on the South Saskatchewan River Project*. Part 2, Ch. 111. Ottawa: Queen's Printer, 1952.

, "Monetary Policy" *Submission of the Government of Saskatchewan to the Royal Commission on Dominion-Provincial Relations*, Section C, Part VII. Regina: King's Printer, 1937.

, "The Myth of the Self-Sufficient Canadian Pioneer". *Royal Society of Canada, Transactions*, LV1, Series III, June 1962.

, "The National Policy and the Saskatchewan Economy", *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*. Part II. Regina: King's Printer, 1949.

, *The National Policy and the Wheat Economy*. Toronto: University of Toronto Press, 1957.

, "The National Policy — Old and New". *CJEPS*, XVIII, (August, 1952). (Reprinted in W.T. Easterbrook and M.H. Watkins, *Approaches to Canadian Economic History*. Toronto: McClelland and Stewart (Carleton), 1967).

, *Lecture Notes*, Compiled by Paul Phillips in 1960-61 from lectures in Canadian Economic History, by V.C. Fowke.