Interview with Kari Levitt: “Bring the State back in!”

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Michèle Rioux et Hugues Brisson
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NOTE DE L'AUTEUR

In collaboration with Hugues Brisson

Introduction
On December 27th and 30th 2011, I met with Kari Levitt in her apartment on De l’Épée, Outremont. I met her in 1987 at McGill while studying in political economy. Since, I always thought of her as one of the most inspiring women in Canadian political economy. Two professors I had studied with at Glendon College, York University, Omar Hamouda and Lori Tarshis - a student of Keynes - had strongly encouraged me to contact her. That is what I did. At the time I did not know much about her. I did not know she was the daughter of Karl Polanyi, or that she had written Silent Surrender. I am now a professor of political economy at UQAM, and thinking back, I felt a desire to know more about Kari Levitt’s work and life. I also thought the same about Sylvia Ostry. Then came the idea of a book on important contributions from women in Canadian political economy. The interviews I conducted with Kari Levitt in December 2011 will be used to write an eventual chapter on “Kari Levitt’s life and contribution to Canadian political economy”.

While reading the transcription provided by Hugues Brisson of the interviews, I thought it would be a good idea to share this as I realized there was much richness and detailed informations about the life and thinking of a great woman. I hope also this can be a pertinent contribution to the contemporary debates in the field of international political economy. I may be skeptical about her statement “Bringing the State back in”. Nevertheless, I agree with her about the actual democratic deficit of the global economic system.

Interview

Kari Polanyi Levitt, Emerita Professor of Economics, McGill University, Montréal Québec, Canada

Kari Levitt was born in Vienna in 1923, first and only child of Karl Polanyi and Ilona Duczynska. Kari attended Bedales School (1936-1942) and the London School of Economics (1942 – 1947). She graduated from LSE with First Class Honours, specializing in statistics. In 1957, Kari returned to graduate studies in economics at the University of Toronto. From 1965 until 1975, she directed a major project of construction of input-output tables for the Atlantic Provinces of Canada, at Statistics Canada. In the 1980s, Kari was occupied with the responsibility of the literary legacy of Karl Polanyi which passed to her on the death of her mother, Ilona, in 1978. In 1987, Concordia University accepted a proposal by Dr. Marguerite Mendell to establish the Karl Polanyi Institute of Political Economy and Professor Levitt made the Polanyi archive available. She retired from McGill in 1992 as Emerita Professor. She was able to concentrate her efforts on teaching and research at the University of the West Indies in Jamaica until 1997. In recent years, Kari returned to an incomplete manuscript on theories of economic development.

Source: Personal website Kari Polanyi Levitt (http://www.karipolanyilevitt.com)
Michèle Rioux: On the path to writing *Silent Surrender*, would you be able to name one person who inspired your research?

Kari Levitt: I learned from many authors but there was no particular writer or thinker who influenced me in the writing of *Silent Surrender*.

M. R.: Can you elaborate on the story behind the book?

K. L.: The book originated from a request by Charles Taylor, of the joint department of economics and political science at McGill to write a background paper on the issue of foreign ownership for the recently created NDP. Another colleague at the joint department at McGill and active NDP supporter was Michael Oliver, who was concerned about the impact of foreign direct investments by multinational corporations on the Canadian economy in the 1960s. He later became prominent in the *Royal Commission on Bilingualism and Biculturalism*. The last time I saw him before his death was at the People’s Summit of the Americas in Quebec City in April 2001. The issue was whether foreign investment was beneficial to Canada. Prominent NDP economists argued that foreign investment would increase the size of the cake, and government could decide its distribution. I distinguished between portfolio and foreign direct investment and explained that the latter implied control over Canada’s industrial development by US multinational corporations. The argument of the book took shape as I elaborated my position. Eventually, I was invited to a weekend retreat with the national executive of the NDP in Winnipeg under the leadership of David Lewis, whom I much respected. Out of this emerged the latest version of an article.

Colleagues in the West Indies had a journal called *New World Quarterly*, prepared on a voluntary basis by supporters in Jamaica, Trinidad, Puerto Rico, and Montreal. Lloyd Best, a colleague from Trinidad, said “this is wonderful, we are going to publish your article in the *New World Quarterly*.” I said: “Really?” And he said: “Yes, really.” So, it was published as *Economic Dependence and Political Disintegration, the case of Canada*. What happened then was rather amazing because this obscure Caribbean journal began to circulate in Canada. Cy Gonick, editor of a left-wing journal, *CanadianDimension*, put it between two covers and launched it as a special publication with wide circulation particularly in student circles. Then came requests for formal publication.

With help from NDP researchers, I expanded the original article, and together with my son Tom we came up with the more appealing title: *Silent Surrender: Multinational Corporations in Canada*. I approached the Macmillan where a helpful and supportive editor was ultimately responsible for the fate of the proposed book. It was sent to a reader, an economist, who rejected the manuscript as “unprofessional and unacceptable.” But the editor who had worked on the manuscript had got to like it and believed that it should be published. She asked me if I could suggest another reader. Without hesitation I proposed Mel Watkins. And, as they say, the rest is history. Mel not only was very enthusiastic, but he also offered to write the introduction, which he did. That’s the story of that book. It was reprinted many times and sold 40,000 copies, and even earned an unexpected and considerable sum in royalties. It was translated into French as *La Capitulation tranquille*, with an introduction by Jacques Parizeau, who was then a professor at the HEC.
M. R.: How much did you know about multinational corporations at the time? Little had been published on the issue.

K. L.: A fair amount of literature was relevant and was available including work by Charles Kindleberger, Mira Wilkins and Raymond Vernon whose work on the product cycle was important. But the most interesting material came from official documentation. I had a great knowledge of Canadian economic history, and that goes back to my studies at University of Toronto in the economics department after arriving from England. And frankly, I don’t know if they still do that. I doubt it, I imagine that the department is now like all the other economics departments – clones. It’s all macro/micro and mathematical models, and as for political and economic history, forget it! So that is one of the ingredients, so to speak: a strong background of North American or Canadian economic history. The great author in this field is Harold Innis, who wrote on the fur trade, and Donald Craighton, who worked on the commercial empire of the St-Lawrence, etc. This is a standard, sort of iconographic, interpretation of English Canadian history, and I was familiar with it. I cannot say that this made big impression on me, but certainly I was familiar with his work. Vernon’s work on the products’ cycle was something I learned that was useful. I remember thinking about putting that together with Schumpeter’s ideas about innovation and competition. This is a conclusion I later found useful in my work on development, but when I was writing *Silent Surrender*, I was really not thinking about it.

Stephen Hymer was great also: he had a quick mind and he was always ready to engage in a discussion on something. We would often talk until three in the morning when everybody was dead asleep, and he was still talking! That was in a flat in Outremont, on the corner of Wiseman and Lajoie. One time, around the time he left, it was in the summer and it was about 4:30 and the sun was coming up, and I still remember him going down these long stairs and saying goodbye. That’s the last time I saw him because soon after that, he had the accident. But then again, it was not the case that I read what Hymer wrote and then the lights went on. It is hard to pinpoint one of his concepts that was most influential for me. If you ask me: "what do I remember from his work", I can tell you, but I can’t say what I learned directly from his work for my own work. I really can’t say.

Clearly, I don’t know where I took my insights from. They come from many people. You start to figure things out, and then you read something that seems to say very much the same thing. Then you say: “Oh Wow!” because you found somebody who has said what you have been thinking. And then, of course, you remember who that person is and you read their other works. That is not to say that I didn’t have that idea before reading the author, but when you encounter such authors, sometimes things resonate.

M. R.: In your work on development, who were the most important scholars? Was Raul Prebisch an influence for you?

K. L.: One of them is Dudley Seers, but certainly another one is Osvaldo Sunkel. Seers created the Institute of Development Studies in 1963 at the University of Sussex. He was an important person in my life, in the whole development of the Caribbean economists because he came quite often to the West Indies. He himself had worked in Venezuela,
basically on ECLAC projects having to do with inflation. When he founded the Institute of Development Studies, there was at that time a labor government and a labor minister in charge of the overseas development assistance – I think it was Barbara Castle. I came to Sussex and I met Osvaldo; that is where we became friends. It was before Silent Surrender was published and before an important meeting in Hamburg.

I still see Osvaldo Sunkel from time to time but he is far away, in Chile. He’s a delightful person. He was part of the advances of my professional life. Osvaldo organized a conference in Hamburg – I think it was sponsored by the Max Planck Institute. Osvaldo is a Chilean of German descent and speaks beautiful high German. He had been writing a number of articles about dependence, but I only know the ones translated to English because I never read Spanish. One of them was a beautiful paper by Osvaldo on economic dependence and it was very similar to a paper I had written in 1968. The paper was written quite independently, but with a title similar to mine, and talks about structures of dependency and how they run right through the whole of society. You have a section of every class that is included in the international circuits of production and consumption: of course a very large section of the commercial classes, but a section of the middle class also, a section of the agrarian economy and section of the poor. In 1970 he decided to gather together authors who had shared or had written about some aspects of this dependence relationship between the centers and the peripheries. He invited, from Canada, myself and Mel Watkins, from the Caribbean, my colleague Lloyd Best, and he also invited Giovanni Arrighi - whose work you surely know – who was at that time in East Africa. He had invited three German scholars who had written a book about the new international division of labor; we called them the “the three musketeers,” I can’t remember their names now but they became quite well known. And, of course, he invited Stephen Hymer. It was very small, it was more like a “working weekend” than a conference. There were no papers, nobody had to read a paper, but people could bring whatever papers they had written. I just remember this unbelievable excitement of people who, independently, had got a perception of the world system that was rather similar but had come to it in different ways. I think another guy was there too, Arghiri Emmanuel, but Andre Gunder Frank was not there.

That was long past Prebisch, looking now at the 60s and the 70s. Prebisch was not dead yet but he never was part of that. Prebisch created the Latin American structuralist economic doctrine or school and gave it an institutional base at the ECLAC at the United Nations. There is a very interesting history of Prebisch, who, in his very late years, after he retired from UN bodies, notably as president of UNCTAD, worked for a little while for the Alliance for Progress and became quite disillusioned about all these international agencies. He said of UNCTAD 1, from 1964 to 1968 during the development decade, that “nothing much was achieved”. He really believed, like other great minds after him, that there was not much to be gained from international negotiations. Interestingly, Gunnar Myrdal thought so as well. Myrdal is a gigantic figure because he was an important economist in the development of the Swedish model as a writer and a political figure. He was the first Secretary General of the European Commission in the United Nations, and was originally a great supporter of international assistance. But later in his life, he denounced the whole international aid industry. Mainstream development economics started with Prebisch and Osvaldo Sunkel, who was a very young economist in the original ECLAC, came out of that tradition.
Going back to the importance of Osvaldo’s meeting, it was important because it was a time when there were different people in different places working quite independently of each other and looking at the world in a somewhat similar way. Giovanni Arrighi, who was there, said to me: “You know, Kari, if you put together the insights of your father and my geometry of imperialism…” well that was the little book he had just written. I couldn’t understand what he was talking about! But then, it became very clear to me, very clear. My father’s first pages of *The Great Transformation* – which is a wonderful book - talk about four institutions that define the world capitalist system from 1870 to 1914 or 1930, or however you want to divide things. However, he was missing a fifth institution, political colonialism, which was an institution of the 19th century international world order or first globalization. Colonies and the age of imperialism did not feature in my father's story. Anyway, at the conference there was the great excitement of people who had independently done work, comparing what they had done and discussing. I was the only woman, but never thought of myself as the “only woman” because I didn’t think of myself in that context as being any different from them.

In my coming book on development economics, which is still unfinished, I note that Prebisch had a great influence in the 1950s. In many ways, all the really interesting and original ideas came out in those years. Then, in the 1960s – this is how I see it – came the critics, from the right and from the left. From the right, they eventually became very powerful and eventually created the neo-liberal counter-revolution. But the critics from the left were very vocal. A lot of the people who became prominent in dependency literature came to criticize Prebisch and to criticize developmentalism because it was too statist, because it was too dependent on foreign investments, and for many other good reasons. A whole critical literature developed, of which probably the most famous author is Henrique Cardoso, who was a Marxist, criticizing Allende and others. And then, eventually, we know his whole career. But also Gunder Frank, in Chile, and some extreme trotskyist, or anarchist, or leftist critics of Allende. A lot of people who became important in the literature had started there, as critics of Prebisch and the ECLAC. This is very interesting and an important intellectual history because, to my mind, the basics which were laid down by the founders of that school have survived longer than the ideas of some of the critics. Of course, Cardoso is the prime case, because he renounced everything he believed in and moved in the other direction.
Prebisch was truly a public intellectual, and the Latin American tradition is so different from the North American one. Prebisch had taught economics, he was appointed central banker of Argentina and was lecturing in standard economics in Buenos Aires. He had to leave the central bank when the populists came to power – the Peronists – and eventually had to leave Argentina for the same reason because he came from the landed interests. He had also discovered Keynes and had written a book about Keynes, so he was a very bright mind, clearly. But, I think because he came from that technocratic milieu, he obtained that position to be the executive secretary of ECLAC. Actually, he was not the first; there was somebody whose name we can’t even be bothered to remember who was the very first, but then Prebisch was given that position. ECLAC created an institutional base for those young economists who were working under his direction, which included Celso Furtado, Osvaldo Sunkel, Pinto and a number of others, but really a group of young economists who were nationalists from Latin America. Prebisch himself, who was really an administrator and a technocrat, carried the role well but as an intellectual, he had many controversies and many opponents, mostly from the right. But it was a fact that in ECLAC, this school gained a foothold, at least in that institution and perhaps in some strange way that was a more permanent foothold than in the universities.

The next generation of many of the dependentists, including Sunkel himself, were not really critics of Prebisch, but of the import substitution model depending on foreign investments. A very similar thing happened in the West Indies with respect to the generation of Western economists that I was associated with, and its founder, who was Arthur Lewis. The critiques that were bitterly heaped upon him, and I think in many cases unfairly, were critiques of policies which were ascribed to him and which did not produce the results which he thought they would produce. In particular they did not produce employment. That’s very similar to Prebisch’s industrialization and the fact his policies did produce some other problems that were not anticipated.

When you come to the end of the road many years later, I certainly understand that Prebisch and Lewis are giants and it is possible to reach back and rebuild on the basis of their work. This is the case in Brazil, with this fascinating “new developmentalism” which has been very successful and its architect, Luiz Carlos Bresser-Pereira.
M. R.: Kari, do you consider yourself a Marxist, a Keynesian or “something else?” What single book would you bring on an island, if allowed to take only one?

K. L.: I refuse to take labels. If I would have to choose thinkers whom I have really learned the most from, Marx would be one of those, along with Keynes and Schumpeter. I did not learn anything from Hayek, but I have learned a lot about Hayek. Clearly, he was not one of my teachers. We can come back to him. Marx, Schumpeter and Keynes are the great ones, among the ancestors. If I had to choose one, I would refuse to choose.

If I had to choose only one book to take to my grave – that is a terrible question; now I’m supposed to say the Holy Bible [laughs] – I would take my father’s *The Great Transformation*. And it is not because I learned so much from it, although I did. Initially, I did not read it for a long time. I read it sometime after it appeared but did not understand the importance of it. I was quite familiar with a lot of it: I was always chatting with my father, we were always in dialogue. And the book, in some ways, follows the lectures he gave in England, the evening classes he gave to the *Worker’s Educational Association*. I was fascinated: I had studied English social economic history at school, in a very good school I went to in England. To me, history always was important, but particularly the social economic history of England because it was what we were taught when I lived in England. So much of *The Great Transformation* is drawn out of English social and economic events, ideologies and writers. The first two chapters, which are really about international affairs in the 1920s and the 1930s, were also familiar. So, in a way, it’s everything we had talked about; it was not new to me, it was part of me. However I really did not understand the importance of the book because after it was published in 1945, and all the years he was at Columbia from 1947 until his death, he was concerned with archaic and primitive societies. I could not understand what was so interesting about the tributary islanders and the way they traded their shells and this and that about primitive and archaic and Babylonian societies. I said: “what is this? Why is he leaving our times to go into these ancient civilizations and primitive societies?” My father was passionate about this stuff. And I am also familiar with it because he was a person who had to lecture at you, he would develop his thoughts by talking to somebody. I do that myself!

It took me a long time until I began to really understand how it all fits together, why he was doing this research and how important it was to his whole thesis, which was always an effort to prove that these societies were different from ours in the sense that the economy was embedded in the social institutions. It is only in capitalism, or market society he called it, that the relations are turned upside-down, and the economy rules over the politics, over the ideologies, over the religion and over anything else; it becomes the driving force and the most important aspect of everything, which he called the “disembedding of the economy.”

I don’t agree, as you suggested to me, Michele, that Marx and my father had different positions over political institutions and how they organize the economy. I think the difference between Marx and my father is not very great; in other words, I think Polanyi owes a lot to Marx. I will explain why. I suppose it depends on how you read Marx. I have just recently been listening to an audio recording of David Harvey lecturing on the book *Capital*. Harvey started to lecture 31 years ago on the book and has been lecturing apparently every year on this book for the last 30 years. I like David Harvey’s work. He is
geographer and political economist, and a Marxist. So I have been re-reading Marx, because before, my reading of *Capital* took place at a time when I really was not thinking much about my father’s work. What struck me was that when he talks of commodities that are moving around, those pass through the market and are in the super-market, he talks of the human relations that lie behind the people who make the commodities and who make the inputs. In all of this division of labor, even on a whole international scale that goes on behind the movements of commodities in the market, what matter are the underlying social relations. That, to me, seems to be very similar to my father’s complaints about the way the economic laws that govern the movements of these commodities in the market are taking over our lives. I would say there is definitely an explicit and implicit alienation theme in Marx, which runs very deep in Polanyi.

The only person who, in some way, describes himself as a Marxist that I very much admire and whose work I read and whom I am fortunate enough to consider a very good friend, is Samir Amin. One of the interesting things about Samir that I have just noticed recently is a common feature of his work that he shares with my father. As he puts it, in capitalism, but only in capitalism, the economic instances dominate the political. And in all other previous hierarchical societies, which he calls tributary societies, the political and religious and ideological structure dominates over the economic. Capitalism has turned this upside-down. Samir repeats this. On this issue, I don’t think that Marx and my father are the same, because I don’t think that Marx makes that point. I think that in Marx, you have a certain economic determinism based on what he calls the forces of production and from that he builds the rest of the society. In that sense, my father differs from Marxism. But there are things in Marx that have definitely influenced my father. I would like to think that my father might be the Marx of the 20th Century. Now, I would say that, but five years ago, I would not have said it.

The growing interest in my father is utterly amazing, and the way people talk about my father. Like this person working for the Arte network who did the film on capitalism. He has chosen some economists and he will interview people who know their work, who wrote biographies about them or something like that. He is interviewing Skidelsky on Keynes – Skidelsky is the biographer of Keynes. He has Adam Smith, Marx, Schumpeter, Keynes, and Karl Polanyi. Well, that would have been unthinkable even five years ago; I would have been very surprised to see my father mentioned with the great figures of economics. That, I think, has a lot to do with what is going on in the world, this crisis and the nature of it. People have said that to me often recently. It’s amazing! So, I would take the *Great Transformation* to my grave if I had to. But of course, I can see that it is for family reasons; it is not that I worship any author!

I became associated with the Karl Polanyi Institute at Concordia University, of which I am honorary president. I made the literary legacy that was left to me, all my father’s writings, available. It is my intention to approach Concordia University with an offer to donate this to the university. I would certainly have an affiliation with this Institute although I am not a member of Concordia University. It is well managed by Marguerite Mendell, a professor at Concordia and director of the research institute. They are doing
great work digitalizing the entire collection. Much credit goes to Mendell: it was her project and she found some funding and the first phase was done quite a long time ago. We are now in the next phase and the whole thing will be available to the public, digitalized. Most of it is in English and some things are in German. There is a lot of work to be done to translate it to French.

M. R.: Who is most influential on your work on development? Was List an important economist for economic development?

K. L.: Samir Amin is one, without question. Celso Furtado is another. I have read everything that is available in English that Celso Furtado ever wrote. And my students will tell you that I think of him as an absolute model economist, a model economic historian. His writing is clear, and it is historical. Yet, at the same time, he was also a practical economist. At the time when he had to leave Brazil, he was in charge of the big development project in the Northeast of Brazil, at the time when the colonels came to power. I believe that, together with Prebisch, he grounded the Latin American structuralism in ECLAC. He created a tradition with his own contributions, which late in his life were quite radical and not very well known. His roots are still alive and it is returning, at least certainly in Brazil, as a government doctrine and set of economic policies. Furtado was really a scholar, a great scholar. I think that, to my mind, those are the two most important founders of Latin American structuralism. And then there are many others. But of course, the story can be told in different ways: there are some people who will claim that the origin of all of it was Marxism and that it came out of Lenin’s writings...

List was also very important with the national system. With his concept of “catching-up,” he made the dependency theory implicit. Of course, List has had some importance in my works. There are many other authors that I have not mentioned. There was a very interesting guy called James Stuart who wrote at about the same time as Adam Smith and was very straightforward. Marx quoted him a lot and many people like him a lot, but Smith detested him, so he did not quote him in any of his works and became so famous that Stuart was a bit obscured. Arthur Lewis said: “When you have read everything by Stuart, Hume and Smith, that’s all you need to know about development.” So he gave them big importance. And Keynes of course, Keynes is a giant. I am sorry that I did not have the chance to meet him. It did not occur, even when I was in Cambridge for two years. My father never met him. But I knew Joan Robinson very well, she was a family friend. She was in Montreal many times and had students, and among her favorite students was Tom Asimakopulos.

Tom had studied with Joan, so when she came to Canada, she would stay with him. She had a daughter who lived in London (Ontario) also, so she would come from time to time. She was friendly with my parents and she was my friend too. She was an amazing woman, very tall, imposing; she would terrify these guys! They were trembling! She was so intimidating to them because she had a very sharp tongue. And she could just cut them down with one phrase, and they would just kind of wither away and go back to their seat. I loved it! I don’t think that Joan Robinson had much influence on Canadian economic thought. She had an influence on Tom Asimakopulos. He was teaching the kind of economics that Joan was teaching and that came out of the famous “capital controversy.”
I did not go into that myself, because by then I was interested in development, mostly for two reasons: first, I was interested in the technique of development planning, which absorbed decades of my life. I thought at one time – I don’t think so anymore – that it was important to make some economic plans for a country and I could use all these complicated techniques. Actually it is not that I don’t believe in that anymore: there is always a role for planning, there is a role for good forecasting, of course. But what has happened is that as I have evolved and as time has gone along, I simply found that factors that are not considered in economics, such as the legacies of history, the particularities of cultures and of social institutions in a country, are absolutely critical to understand. They are very different from place to place and they also have some similarities. Capitalism has some similarities that you can find anywhere, whether you are in China or in Tombouctou or wherever.

For the past 20 years, I have concerned myself more with understanding the nature of the so-called developing world and how it has been shaped by its past. In following what is happening in these places, you see how absolutely absurd it is to imagine that similar policies would be appropriate for countries that are so different in every way. It is not a mathematical equation and these models are absolutely useless. Actually, worse than useless, for it is deception. It is like pulling the rabbits out of the hat but then the rabbits do not come out. They are not really good for anything. You cannot even throw them in a soup. They are useless, but giving much prestige. But I find the area absolutely fascinating, I continue to be fascinated by it.

M. R.: How did you end up studying economics?

K. L.: I used to have two wishes. One of them was to become a physicist, which at that time had huge prestige, especially atomic physics. The other was to study history. I was endlessly fascinated by it, particularly English history. I was by myself in England -my parents had gone to America- and tried for the exams. I completed the highest school certificate, which is what they call the “A levels” in the English system. It is something you do in grade 13 or so. I did get entrance to Cambridge in physics. The only way you could do that was by writing papers in mathematics and one practical laboratory experiment in physics. And I got accepted into the second-year physics, but did not get the scholarship. So I could not go.

The same thing happened in history at Oxford. I got a place but did not get the scholarship. So I decided that I was a failure, having failed to do physics at Cambridge and history at Oxford. I would just go to the London School of Economics and have a good time there, and I could get a student loan, which was very easy and it cost almost nothing. I would follow all my leftist friends and have some fun. That’s what I did and that’s how I ended up in economics. I was disappointed because the issue really was about money and I was quite a snob. I mean, I assumed that if I was to study physics, it would be at
Cambridge. It did not occur to me that I could go to the Imperial College in London or some other place. I wanted to do it at Cambridge, and my family had no money. I never questioned because there was no question about it.

I said: “I will use my mathematics maybe and will specialize in statistics” – which I did. At the London School, you had a choice: you could get a degree called Bsc. Economics but within that, you could specialize in economic history or economic theory or, in my case, statistics. So I thought that maybe statistics could rescue something from all the math that I had learned, and that led me into these big statistical studies. It wasn’t that I loved mathematics. I was quite good at it but what I really wanted to do, was to find out what is inside the atom or the modern nucleus or whatever! I soon found that I enjoyed my environment. Today, I think it probably was a good thing and I was able to combine my love for mathematics, history, and my scientific mind. Look at me now: I am very much back to history ... I haven’t done mathematics in a long time, but I think it has given me an ability to make connections. I think that that this is one of the things I can do well: make connections and be able to see them, make connections between different ideas, almost like a physical structure. That’s what mathematics does actually: it makes connections and helps organize your thinking.

"I think that that this is one of the things I can do well: make connections and be able to see them, make connections between different ideas, almost like a physical structure."

M. R.: Did you get recognition of your work early in your career?

K. L.: I brought the idea of making input/output studies of the structure of the economy of the Atlantic Provinces to McGill, and this developed into a major research project at Statistics Canada. Without going into details, it was really quite innovative at that time; the methodology also was innovative.

When Silent Surrender was published it received attention from the New York Times where it made the front page of the Business section, with photographs, interview, a “big splash,” and a lot of buzz around the Department of Economics at McGill. That set the scene. Evaluators at McGill looking at all the work I had done before recommending me for tenure – mostly all in statistics, demographics, economic inputs/outputs; a lot of technical things – said: “Kari this is all very interesting but you haven’t finished the work, and when you finish it, we will recommend you for tenure. But we have a question to ask. And the question is: What do you think of this “thing” that you have published?” I said: “Well I think given the circumstances, it is up to you to judge my work.” They said: “Yes. But we would like to know what you think of it.” I wasn’t prepared for this question, but I replied: “I think this is the most important thing I have done professionally and possibly will be the most important thing for the rest of my professional career.” Of course, they could not believe what they were hearing. Then, later on, I learned that some of the reviewers had written that they could not understand how somebody with my competence and mathematical skills doing all of this technical work could write something so “blablablabla” as this book.
I wrote them a letter saying “Of course, I will finish my work but I would like to know, and I think that I am entitled to know, why you do not consider Silent Surrender to be a publication for the purpose of judging my competence and my promotion.” They replied: “This is not a publication,” and I asked: “Well then, what is it?” I did write the book on my own time, without any support from any granting agency, when I was teaching full time and also doing this huge statistical project in Ottawa, going back and forth. What was amazing was that it was not considered to be a publication.

M. R.: What would be the difference if you had to write Silent Surrender today?

K. L.: With great sadness, if I had to write it today, it would be about the destruction of so many things in Canada that are valuable and worth preserving. It would be a continuation of this theme, because in the introduction I wrote for the new edition in 2002, at the time of the Chrétien government, I mention that 9/11 will prove to be the last nail in the coffin of Canadian sovereignty because of the consequences of that event and the inevitable drawing closer of Canada and the United States. I wrote that what is called “deep integration” will result in the progressive transformation of the country in the manner that we have seen following the election of Stephen Harper. He is very deliberate in dismantling and destroying public institutions, both governmental and non-governmental institutions. This is being done on a big scale, in many, many different areas of national life.

When I wrote the book, underneath the material about the multinationals, there was my reading of Canadian history and the impact of its colonial past on the present. Drawing on a classical interpretation of Canadian history, I saw it as a past which privileged the commercial classes. The commercial classes in the nineteenth century were a product of the economy, with its east-west bind, with its Canadian Pacific railway, with its export orientation to the British markets at that time or the big wheat economy. But where did power accumulate? Power accumulated in Montreal in commerce, in the entrepreneurs behind the railways or behind the grain trade, the banks which became very powerful and have remained very powerful - the financial sector is the most independent and powerful sector of the whole Canadian economy. If you look at manufacturing in Canada since Silent Surrender, the latest figure I saw was that it is 50%-owned by foreign companies – that is the highest percentage in any developed economy by far. And interestingly, this 50% ownership of manufacturing industries exceeds the situation in Brazil or in Argentina, and we know that in Latin American development, multinationals have played a large part in the manufacturing industry and the statistics there are more like 35% in Mexico, Brazil or Argentina. That is very high when you compare with countries like India, where the figure would be well below 10%. Turkey, interestingly, which has quite strong economic growth at this time and foreign investments in its large manufacturing industries, is about 7%. So, we have a strong commercial and financial bourgeoisie or dominant class. We have had all kinds of industries that have been sold or dismantled. Whatever avant-garde we had is gone. We have one example of an entrepreneurial success with the Blackberry [Research in Motion] and that seems to be crashing now also. And then we have the resource industries, but even there, we have Rio Tinto buying Alcan and so on: big sell-offs. This is a Canadian pattern and it goes back to the colonial time. Nowadays the dream is to develop an application or something, create a
hype around it and sell it. But the same thing was happening in the other industries we once had: when the price was right, it was sold. And so we have this commercial mentality and it goes back to the colonial mentality.

Many good things about Canada came with that colonial mentality, but there is also a very conservative streak. Canada was born as British North America, as those people who came here came because they didn’t want to be part of the American Revolution; and they were loyal to Britain...

What is the motto of Canada again? “Law and Order and Good governance” or something like that [after verification, the exact motto is “Peace, Order and Good Government”]. People here on the whole are decent people, but they are docile. When you look at the politics and you look at the people who are now running the country, the Harper government, people may not like it but by and large they go along with it. We don’t have an effective opposition. That worries me a lot. The contrast is actually with the United States because, look at the journals; there are voices in the electronic and print media in the United States, whether it’s Harper’s, whether it’s the New Yorker, there is a movement for democracy, there is the Huffington Post; there are all kinds of protest initiatives, and there is the “Occupy movement.” But really what have we got here in terms of print media? I don’t know of anything... We have Le Devoir, it’s a traditional, intelligent paper. But in English Canada, there is not a daily paper, there is not a weekly or a monthly paper like that anymore – it’s a very dark picture.

M. R.: Is the problem political/institutional?

K. L.: There has been a degradation of the political institutions and I would trace it back to 1980 or so, to the neo-liberal counter-revolution as I call it. This is true throughout the whole of western capitalism, in the so-called economic reforms that started in the 1980s already with Reagan and Thatcher and Mulroney in Canada. I call it an economic regime change. But what has happened is that, in the political scene, the contending parties in Europe, in the US and in Canada have not been different from one another. There has been no basic difference, both of them have moved closer to market-oriented policies. So increasingly, the markets, but particularly the capital market and the bond market – which are the ratings the government watch – become as important or even more important than opinion polls in guiding politics. Other ideas were there in the 1980s, there is no doubt about it: that is the time when Silent Surrender came out. That was just one book, there was also the Watkins Report that had been commissioned here by Walter Gordon. Even after that, there was the fear of foreign investment review agency, there was an amazing government report here – The Gray Report. That was washed away very fast and the reason for that was that the support for those policies in the ruling circles was rapidly diminishing.

Look at the figures in English Canada that emerged that were in support of those alternative policies: they went down in flames. Walter Gordon – he was Minister of finance, an economic nationalist – was forced to resign and he founded some think-tank. What else could he do? The labor movement was of no great help because our labor movement is largely so-called “international unions,” so, by and large, the labor movement was not opposed to free-trade. I remember that I was really quite disappointed in the famous debates on free trade – with John Turner, Ed Broadbent and B. Mulroney – and the fact that it was Turner that made the strongest case, and Broadbent was limited...
by the fact that the unions financed the NDP and the majority of the unions were not economic nationalists. And some of the left wing in English Canada I found were critical of my position - or Watkin’s position - on the grounds that Canadian capitalists were no different from American capitalists. That was an argument that would come from the left. So this position – which I might call the economic nationalist position of Walter Gordon or Cairns or what later became the Council of Canadians, or of Stephen Hymer who was a member of the Watkins Report team, or myself – did not have a political base among the voices that matter. I think that is what happened: it is not that the ideas were not there but the support for the ideas quickly vanished.

**M. R.: What is the role of international assistance in development?**

42 **K. L.:** There was a very brief period in the 1940s and the 1950s – immediately after the Second World War and into the 1950s – where a whole literature developed on development economics. By and large, most of it came from independent minded scholars, virtually all Europeans with the exception of Prebisch or Arthur Lewis. Interestingly, they originated, for the most part, from regions of Europe that were economically more backward and less developed – those are horrible terms – than the West (i.e. England, France, Belgium or Holland), including Scandinavia, the Baltics, East Europe, Central Europe, Hungary, Austria and places like that. I think that all of these writers shared two thoughts, and one was that the State had to play a leading role in economic development.

43 This role was to make those regions come to life, to give them energy, because of the absence of an entrepreneurial class or its weakness, the inability of the market to lift those societies out of backwardness and the potential of the underutilized labor in these societies. They all agreed at that time that industrialization and the development of manufacturing industries was the path to economic development. Interestingly, at that time it was widely believed that after a short period of post-war boom the economies of the capitalist world would relapse to a state of depression, to the situation that had prevailed before the Second World War. International trade and investments had drastically diminished before the war and, of course, even more during the war. So these countries would be relying on their own resources. There were various strategies for mobilizing domestic resources for economic development. Now, what actually happened was that international trade revived rather rapidly, and many of these countries fell back on that position they had traditionally enjoyed of providing primary commodities – food and minerals – to Europe or North America. The other thing that happened was that the thinking about international development became increasingly institutionalized and became increasingly - in the North – related to economic aid, or overseas development assistance.

44 In my opinion, that development model, which became very elaborated with many staff and became an industry employing thousands of people, not only at the IMF and the World Bank, but all the national development agencies, and then NGOs employing thousands of people, really distorted the way people saw the problem because the question inevitably became, what is the most effective way of delivering assistance. That is not the question to be asked in terms of economic development because foreign aid plays an increasingly minor and unimportant role. In the eyes of the donors, of course, it
is a very important role. So, you get a distortion when so much of the writing and the opportunities and the theorizing is done from the point of view of aid donors.

“\textit{In terms of economic development because foreign aid plays an increasingly minor and unimportant role. In the eyes of the donors, of course, it is a very important role. So, you get a distortion when so much of the writing and the opportunities and the theorizing is done from the point of view of aid donors.}”

M. R.: Since the 1980s, did you detect any writing that is very original, ideas that are important.

K. L.: Ul Haq, who was so instrumental in creating the UNDP alternative human development report and has not received the amount of credit he is due. But certainly the independent mind there was Amartya Sen. There have been critics: Stiglitz is important, very important, but he was mostly very important because he happened to be chief economist of the World Bank. So, he rebelled and made this statement in 1998 at the height of the Asian crisis and basically lost his job because Wolfensohn, head of the World Bank, faced a choice: get rid of Stiglitz if you want to be reappointed. Dani Rodrik is one of the most able of the critics but still, with one foot in the system. I think he has contributed an important idea with his trilemma, it’s a very obvious one but at least it is something very simple.

Dani Rodrik and Joseph Stiglitz


46 Take the most recent version of his trilemma, in which you have a triangle with three corners; one is deep globalization or deep integration, then there is the nation-state, and then democracy. He says you can have two of these, but not the third. It is a very important conclusion. Basically, what we are observing now is a combination of globalization—meaning the power of the global capital markets—and the national state. And we don’t have democracy. What else do we have in Europe? And we are going to
install regents there, as in Greece and then Italy. The way they have created governments of technocrats is very similar to all the structural adjustment programs that we have witnessed in the 1980s and 1990s in many developing countries, including staffing them with people from the World Bank. Or you can have a nation-state and democracy, but that is not compatible with deep integration in the global economy. Rodrik has been arguing – and I think he is quite right – for a light version of the WTO (World Trade Organization): don’t step into territory that does not belong to trade like intellectual ownership and the famous Singapore issues that developing countries have resisted. In an ideal world, you might have democracy and globalization, but that is a world that does not exist.

**M. R.: But don’t you think that the Nation-States are now part of the problem?**

**K. L.:** Absolutely not. I really disagree. I think they are the only way to stop this tsunami, this destructive tsunami of global capital – look at the destruction it has brought in the United States and in Europe most particularly. The Nation-State is the only space in which people can exercise political power. They cannot exercise political power on a global scale. Brazil! Take that one example alone, it is over half of South America and is a rather important country. It is a country that has gone through all of the history and the various experiences of populism, experiences of economic development with a lot of foreign capital and various vulnerabilities, stabilization of the currencies. Finally it has become a country where the government is popular, has changed in a very legal and decent kind of way – very good in comparison with politics in the United States at this point in time –has instituted policies that resulted in economic growth and increasing control of their industries, and has accomplished a very impressive reduction of the high levels of poverty and inequality in the country. Very impressive. The GINI coefficient does not change very easily.

"The Nation-State is the only space in which people can exercise political power. They cannot exercise political power on a global scale."

**M. R.: Do we need a global constitution on finance, another one on social policies?**

**K. L.:** I think that this is totally unrealistic. I think that any effort in that direction is simply going to strengthen the hold of the multinationals because of the inequalities of power. The only body through which we could plan and socialize the multinationals is through the Nation-State. They haven’t failed yet they have not tried. The only way in which it is possible to socialize the financial sector is at the national level.

The United States is the cause of the problem. It has totally destroyed its political institutions; they don’t function. I don’t believe in a new “New Deal” in the United States, as I think that the United States is on the decline, on a decline and this decline is going to accelerate. As we all know it is still the largest and richest country in the world and an important market. But the political system is broken. Obama got elected and he has not
managed to change the policy. I feel sorry for him. Still, they elected him and such a thing would not happen in Canada. But the fact is that it has failed: it has not produced anything good, honestly, nothing. He has even disillusioned his own political base.

“Today’s crisis and the rise of poverty, especially in the United States, is not the same as in the 1930s. It is worse than the 1930s in the sense that there is less solidarity.”

Today’s crisis and the rise of poverty, especially in the United States, is not the same as in the 1930s. It is worse than the 1930s in the sense that there is less solidarity. In the 1930s, it seemed like a hurricane had come and just blown down everything; industrial production went down to 50% and millions of people’s jobs just disappeared. When Roosevelt was elected – who incidentally was a democrat but was quite a conservative man and certainly came from the upper class - and when he took a look at this, he could say to the society of that time: “the financial people on Wall Street have brought this upon you.” He cursed them, he said he would discipline them. Then, he closed the banks for a week and when they opened, ten thousand of them had failed and he said: “now you’re going to extend credit.” Then he passed a great deal of legislation - direct employment, wages must go up, unions must be strong. None of that is possible today for anybody, it doesn’t matter if he is black, white or whatever. Because it seemed that there was [in the 1930s] a disaster that had affected such a wide stratum of the society in the United States that Roosevelt could speak in that manner.

Now today, the mentality is: “Well, it isn’t really that bad, there are some poor people yes, five million have lost their homes, poverty increased but most people are still doing all right.” Then there is the whole philosophy of the American dream: you can aspire and you can get it and if you don’t, it’s your own fault, or because you had bad luck or because you have done something wrong or you have sinned or God knows what. It is individualistic, the society has lost its cohesion, the system they had has been undermined, the congressmen and women are bought. I am sorry, but I don’t see anything, any capacity for regeneration coming out of that society for many, many years.

The hope lies with China, India, Brazil and many other countries. The Nation-State is the only political institution that makes laws, the only political institution where laws are actually made and can be enforced. It is where politics can and have happened - politics meaning the change of power relations of different classes and interests within the society. It sounds so good and it is such a nice vision – and I know a lot of young people think that way – to think that this can happen on a global scale. But how can it happen? How can people exercise democratic or any kind of political action except in their country? And “country” does mean something to people. It is not a meaningless concept. I am not only speaking of the legal aspect, that within a country is the only place in which governments can make laws and enforce them, but also that people have a sense of country. It has meaning for the Chinese; they are extremely proud of what they have achieved. We do not even know one tenth of all their problems, we know that there is corruption and that there is inequality and there are all kind of things. But in the end, it is also very clear that what has happened in China, the 16-fold increase in output in thirty years and 10% growth rate for thirty years, is a modern industrial revolution on a scale
that’s never happened. They are very proud of this achievement that has brought China back from the humiliations of the 19th Century to the world scene. Then you have India, a very different country. You talk to Indians and they really feel very good about the world.

There is not the same sense here – we feel that our children will not live as well as we do. In recent years, I have just been widening the canvas, looking at the wider historical angle and I see a relative decline of the West. The West after all has given us so much: it has given us modern technology, the industrial revolution, the French revolution, the Russian revolution, democracy, and many other things. But now it is going to take a diminishing role hopefully. Hopefully because my fear – I have only really one fear for the future – is the United States’ military ambitions, which are global. But on the other hand, we will see what happens because I do not think it is actually possible anymore, with the information and the communication that exists, for military power to rule the world; there has to be some acceptance, there has to be some legitimacy, there has to be consent.

The price for managing your own economy with democracy, with the voice of the people, with some equity and social programs, is to limit the freedom of foreign money to come and go. That’s why I like this statement by Bresser-Pereira: the first thing to do is to keep out the foreign capital. That totally turns on its head all the general beliefs about development, which are that countries are poor because they do not have enough capital so you must assist with public and private FDI (foreign direct investment) and so on. Bresser-Pereira just turns this on its head. He says: “look, Latin America, the issue is no more that we need to industrialize, because we are industrialized more or less, the bigger Southern cone countries are for sure. Now it’s a case of managing and controlling these economies in a way that is consensual and that benefits people.” He also advises not to borrow money you cannot print, which is also a very wise and unique.

What I like about Brazil, a country faced with historical social injustice, is that it appears to have achieved a very high level of national consensus. That is really, to my mind, the role of the State and of a good government; to negotiate the conflicting interests within society. If you say only money counts, then only people with money and only the capitalists basically call the shots. On the other hand if you attempt to suppress them and rule in very arbitrary populist ways, there are other kinds of problems. I have a lot of respect for what they call “New Developmentalism.” This new developmentalism goes back to all the doctrines of the old one, except that international markets have become much more important, global capitalism is much more important.

**M. R.: Has globalization gone too far?**

**K. L.:** I think that this crisis, which is still playing itself out, will result in a very significant retreat back out of this globalization. Globalization, in many ways, has caused the crisis; the globalization of capital, without question has caused the crisis. We know the story of the crisis: the asset bubbles, the illusion of substituting debt capital for
government expenditure. I think that globalization is in retreat. It is very likely now that
the markets of the United State and of Europe are going to be flat for the next ten years,
with very low growth or no growth, that’s what the pundits are saying. Now look at what
this is going to do: this is going to affect those economies that have built a lot of their
growth on export of manufactures – that is China, Mexico and a number of others. I think
that this is a very good development. If you read the next five year plan for China, they
themselves say that they overextended in exports, they know they must increase the
share of domestic spending, they must strengthen the domestic economy. They want to
shift the economy toward services which are more labor intensive and less
environmentally damaging than making things. So altogether, it seems to me that
problems in the big international market are certainly going to come, and they are going
to affect countries that are excessively dependent on exporting manufacture; and that is
a good thing because it’s going to put economic pressure into restructuring these
economies to be more concerned with their own population and the purchasing power of
their own people. That is the direction in which policies should go in order to serve their
own people.

The whole globalization agenda has been to push countries into increasing exports and
increasing exports even more, undoing a lot of previous policies that had been more targeted to
the domestic market. I think the crisis is going to reverse these policies. I think also that there is a real problem concerning rising food prices and speculation that
has largely contributed to rising food prices – speculation in acquisition of land and of
buying future crops, all these things. I think that there is a concern with increasing
domestic agriculture in a number of the Global South countries, on depending less on
imported food and that is also a good thing. I actually would like to think that there will
be a reduction in the amount of material that is involved in trade in goods because it is
excessive, unnecessary and environmentally destructive: I don’t see why we should be
able to buy tropical fish, for example, from every corner of the world. I don’t think we
need it. But, more to the point, I think that those who produce these tropical fishes – in
Thailand or wherever it is coming from – could make their living in other ways than just
mining out the natural environment or the animal life of the sea. I see a lot of good
coming out of this crisis: a rebalancing of the world from North and West to South and
East. My only fear is the enormous military capacity of the United States. Tension with
Iran is growing very fast and Obama is able to push that war agenda faster than Bush
could do because he has somewhat more credibility. It is very, very disturbing indeed.

Coming back to what we were discussing before, obviously it is necessary to negotiate
some orderly international financial assistance. I am thinking of the minimum, not a
central institution that would coordinate all the financial institutions. I think that the
international agreement should be minimal. The reason for that is that it gives more
power to the weaker members. The more tightly you structure, the more power goes to
the powerful. We need a general agreement that countries have a right to impose capital control. I think the real control is at the national level and what really matters is what is going to be done at the national level. The idea the IMF had during the Asian crisis, to make countries open their capital markets. Thank God it never happened! So, when I say minimal, I mean increasing the use of SDRs (Special Drawing Rights)\(^1\), preparing for the day when the US dollar will not be able to play the predominant role anymore, and restructuring the IMF to make a greater use of SDRs.

I cannot see any types of global governance that would not be written primarily to benefit the banks. Look at Cameron in Britain: Britain is largely responsible for the financial crisis. It started in Wall Street but in the late 1990s and early 2000s, European countries became heavily indebted to all kinds of banks, and a lot of that went through London, which is the largest financial center in the world. Cameron said he would not agree to change the constitution of the European Union because the Union may wish to impose some limits on the city of London. The operations of the city of London, which is the place where all the most powerful banks are based, is providing a very significant portion, maybe 30%, of the GDP of United Kingdom. The United Kingdom is living off of these financial operations, including those off-shores. So, that is why I think the national has to be freed from the transnational.

M. R.: What do you think of the World Social Forum and its capacity to bring about change?

It’s difficult... The World Economic Forum comes together and has a meeting of minds. They can speak with one voice, it is not difficult for them to speak with one voice because they are basically the one percent, the famous one percent. They have a concentration of power that grew with capitalism; we have seen the statistics. When you consider what the crisis has shown, it is really the power of the market. The politicians, the heads of governments like Merkel and Sarkozy stay up all night and they meet again and they burn the midnight oil and they leave at 4 o’clock in the morning and they wait to see what the market will say, to see if the market liked what they announced. You cannot have a more caricatured role of the rule of the market! On the other side, the reason why it is difficult to make a coherent program at the World Social Forum is that capital and the power of capital is affecting every section of society. Capital is affecting the whole society, not labor alone, not working class people alone. It’s capital against our whole societies and our way of living, and our values and traditions.
BIBLIOGRAPHIE


NOTES

1. SDR is, according to the International Monetary Fund: “(...) an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF and some other international organizations. Its value is based on a basket of key international currencies”. From more, see: http://www.imf.org/external/np/exr/facts/sdr.htm.

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