CANADA'S LOCATION IN THE WORLD SYSTEM: REWORKING THE DEBATE IN CANADIAN POLITICAL ECONOMY

by

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Abstract

Canada is more accurately described as an independent imperialist country than a relatively
dependent or foreign-dominated country. This conclusion is reached by examining recent
empirical evidence on the extent of inward and outward foreign investment, ownership links
between large financial corporations and large industrial corporations, and the size and
composition of manufacturing production and trade. In each of these areas, the differences
between Canada and other members of the G7 group of countries are not large enough to justify
placing Canada in a different political-economic status than these core imperialist countries. An
historical context for the debate over Canada's current status is provided by archival research on
how socialists in the 1920s addressed similar issues. Imperialist status means that social and
economic problems in Canada are more rooted in Canadian capitalism and less in foreign
capitalism than is generally assumed by left-nationalist Canadian political economy. Given
Canada’s imperialist status, labour and social movements in Canada should not support Canadian
nationalism, e.g., oppose ‘free’ trade and globalization on this basis.
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Chapter 1: Introduction
Chapter 1: Introduction

1.1 Why Canada’s political-economic status matters
This dissertation revisits the long-standing debate about Canada’s political-economic status in the world. My purpose is to challenge the common perception that Canada is a relatively dependent country. I will argue that Canada is a core imperialist power.

There are several implications of adopting one or other of these understanding of Canada. One political implication concerns the character of Canadian nationalism. I was motivated to carry out this study by my perception that the widespread support for Canadian nationalism in the trade unions, NDP¹ and other organizations claiming to fight for social justice is partly rooted in the false assumption that Canada is a foreign-dominated or dependent country. My concern is that this ‘dependency’ view of Canada politically disarms and disorients those seeking to build movements for progressive social change. It poses the need for nationalist measures that are inappropriate if Canada is instead an imperialist country, that is, one of the small minority of rich capitalist countries that dominate the rest of the world.

These problems can be illustrated by the example of ‘free’ trade. At the level of international politics, while nationalist organizations like the Council of Canadians recently energetically opposed the proposed Free Trade Agreement with the Americas (FTAA), they were completely silent about the actual trade war waged by the Canadian government against Brazil’s aircraft industry. This protectionist approach reinforces the one-sided division of labour imposed on the world by imperialism. As a Brazilian executive put it, “The message being sent is that Canada exports airplanes, Brazil exports coffee beans, and that is the way it should stay”.²

There are also negative political consequences within Canada of nationalist opposition to ‘free’ trade. In my opinion, this approach diverts attention from the responsibility of Canadian corporations and Canadian governments for worsening working and social conditions in this country. It largely blames foreign capitalism for these problems rather than Canadian capitalism – in effect, not capitalism at all, but foreigners. ‘Free’ trade threatens the social interests of most people in Canada, but so do the alternative capitalist policies, notably protectionism. In the long run, the interests of working people are likely to be harmed more by the nationalist campaign against this policy than by ‘free’ trade itself.

Another general reason to clarify Canada’s political-economic status is that this status influences the kind of theoretical or analytical approaches used to understand this country. For example, a country’s political-economic status provides the national framework or context for understanding urban and regional issues within that country. It is often argued that regional disparity in Canada is linked to this country’s national dependency, for example, that it results from the failure to develop the more integrated ‘national’ economy that would develop if not for distorting influences from without.³ However, if Canada is seen from the outset as a developed capitalist
and imperialist economy, the role of the ‘national economy’ in the problems of (and the solutions for) regional disparity is more circumscribed.

Similarly, the Canadian political economy school has traditionally emphasized what is different and particular about this country, rather than what is similar to other advanced capitalist countries. Staples theory interprets Canadian development in terms of the nature of successive staples products and their associated technologies and markets, instead of focusing on the dynamic of class relations in capitalist societies. However, the more Canada is like other developed capitalist countries, the fewer the reasons to elaborate particularly ‘Canadian’ theories. More room is left for understanding Canada as a specific combination of factors that are generally common to capitalist countries.

1.2 The areas to be investigated
Many factors must be considered when characterizing any country’s political-economic status. I will address three inter-related points that have traditionally been seen as central to Canadian capitalism, especially when distinguishing it from other advanced capitalist and imperialist countries (e.g., the other members of the G7 -- the US, Japan, Germany, France, UK, Italy). The first is the extent of foreign investment and control, the second is the organization or structure of corporate capital, and the third is the nature of Canada’s industrial development.

While it is necessary to address certain political and theoretical issues related to these points, this study is primarily an empirical exercise. I concentrate on evaluating whether the empirical evidence in these areas is more consistent with the ‘dependency model’ of Canada or the ‘imperialist model’ of Canada. Most Canadian political economists, including writers like Mel Watkins, Kari Levitt, John Britton and Wallace Clement, support the ‘dependency model’. They attribute Canadian dependency to foreign investment and control, the failure to develop an independent national bourgeoisie rooted in both finance and industry, and the underdevelopment of manufacturing industry.

Only a few writers have advocated the ‘imperialist model’, notably Steve Moore and Debi Wells, William Carroll and Paul Kellogg. I will argue that the latter are correct in claiming that Canadian (not foreign) capitalists control this country’s economy, that Canadian financial and industrial corporations are tightly integrated (that Canadian ‘finance capital’ exists), and that Canada’s industrial base is quite comparable to that in other advanced capitalist countries (that is, not ‘underdeveloped’).

These points have been investigated in considerable detail in the past, especially in the 1970s when ‘dependency’ approaches gained wide currency in Canada. Since then, other theoretical approaches have become more popular, but the image of Canada as a dependent country has been largely retained. In recent years, very little attention has been paid to the assumptions that underlie this view. I think it is therefore very useful to revisit the earlier debates about Canada’s status with the benefit of data for additional decades. I also exploit data on issues that were not systematically considered in past discussions.
1.3 Some conceptual assumptions
Below I highlight several general assumptions that frame this study. My purpose in listing these assumptions is not to suggest that they are beyond debate (in fact, they include some of the most debated issues of the day). However, I want to suspend attention to these issues in order to focus on the points that are the subject of this study.

1.3.1 An economic focus
First, I assume that the most relevant aspects of Canada to examine are primarily economic in nature. These economic aspects strongly influence cultural and political aspects of Canada’s status in the world. While different aspects of reality inter-link to form the whole, I assume that some, like the economy, are more significant than others.

For example, I will not discuss military or diplomatic aspects of Canada’s role in the world. Canada cultivates the image of a world ‘peacekeeper’ and supporter of democratic multilateralism. This image partly relies on the idea that, because of its domination by the US, Canada has much in common with countries who are unquestionably dominated by foreign powers. However, if Canada is itself an imperialist exploiter, a different interpretation of this country’s geo-political activity is in order, e.g., that Canadian imperialism benefits from playing the role of ‘soft cop’ relative to the US ‘hard cop’. In any case, to understand the Canadian government’s military and diplomatic activity I think it is necessary to begin with economic motives, especially those arising from the nature of the domestic economy.

The extensive cultural influence on Canada by the United States is another ‘non-economic’ aspect often discussed in connection with Canada’s status. As in other areas, it is necessary to distinguish between two possibilities. One is that the relation between Canada and the US is an example of the national oppression of a smaller, dependent country by a larger, imperialist power. The other is that differences and frictions are inevitable between two imperialist countries, however unequal in size and power. Again, in order to decide which applies it is necessary to clarify the nature of the Canadian economy.

1.3.2 The ‘national’ scale
The areas of evidence examined in this study are addressed almost exclusively at the ‘national’ (more accurately, pan-Canadian) scale of analysis. However, Canada is a highly regionalized country, and it would be preferable to make the analysis more concrete by including regional perspectives. However, this would make my task more complex and difficult, partly because regional-scale data is not available, especially for international comparisons. My purpose is to clarify the national framework into which such regional issues should be placed. I assume that it is possible to define the essential elements of this framework without extensive reference to regional issues.

A particularly important point is that I do not address the issue of ‘internal imperialism’ -- the national oppression of Natives, Québec, and Acadians within the Canadian state, and discrimination against some immigrant populations. This is an important aspect of Canada’s status, especially when tracing its historical development. An obvious connection can be drawn between an imperialist position in the world and an imperialist position at home. Because they disagree that the former applies to Canada, I think it is particularly difficult for Canadian
nationalists to come to grips with the latter. In any case, I set aside certain differentiations that in other contexts may be significant. For example, when evaluating the balance of foreign and domestic control of the Canadian economy I treat Québecois-owned capital as Canadian capital.

1.3.3 Imperialism today
Several aspects of the concept of imperialism are assumed here. As noted, I revisit debates from previous periods (especially the debates about Canada in the 1970s) with the benefit of additional quantitative evidence. Of course, many think the world system has undergone qualitative changes since then, like the emergence of NICs (Newly Industrialized Countries), the collapse of the Soviet Union and the rise of ‘globalization’.

In general, I assume that imperialism retains its theoretical relevance in today’s context. Lenin’s classical definition of imperialism is the “highest stage of capitalism”, and more specifically, where:

1. the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life
2. the merging of bank capital with industrial capital, and the creation, on the basis of this ‘finance capital’, of a financial oligarchy
3. the export of capital as distinguished from the export of commodities acquires exceptional importance
4. the formation of international monopolist capitalist combines which share the world among themselves, and
5. the territorial division of the world among the biggest capitalist powers is completed (Lenin, 1977b [1916], 266-267).

This concept is certainly not unproblematic, but I think it remains preferable to alternative conceptual frameworks for this empirical study, in particular those, which do not begin from two key characteristics of the world: the contradiction between social classes, and the contradiction between oppressor and oppressed countries.

One line of argument against the classical concept of imperialism is that capital has been largely de-nationalized, and that national states are no longer central units of analysis. The rapid industrialization of the NICs (Newly Industrialized Countries) is often cited as a challenge to the traditional argument that imperialism excludes the possibility of genuine development in ‘Third World’ countries. Other arguments include the notion that a new ‘mode’ of flexible production has replaced the previous ‘mode’ of mass production, or even that wealth is now primarily created in an ‘information economy’ rather than the traditional ‘industrial’ economy.

In my opinion these arguments all tend to exaggerate both the quantitative and qualitative changes to which they refer. Clearly there have been significant developments since imperialism first emerged, and adjustments in theories are required to reflect such changes. However, I think the world context is generally characterized by more continuity than is usually assumed by alternative perspectives. In other words, the general problematic that was assumed by the Canadian political economy debate about Canada several decades ago is still relevant.

In any case, rather than attempting to theoretically update the concept of imperialism, I try to operationalize it in the context of Canada’s domestic economy. This very partial test of its
continued viability may then be useful for other efforts to address the broader challenges to imperialism a theoretical category.

1.3.4 An internationalist framework
I admit that I do not really do justice to the differences among the various approaches that I group under the dependency label, e.g., who define Canada as an “intermediate country”, “semi-colonial”, “semi-peripheral”, a “middle-power” or a “region in the center”. I group these descriptions under the label of “relatively dependent” or the “dependency model” because they all exclude Canada from the core imperialist powers that dominate the world system. While they vary in terms of the perceived degree and logic of dependency, these positions all tend to characterize Canada as a victim of imperialism rather than one of the imperialist victimizers. Their common political expression is the view that Canadian nationalist policies are necessary to address the foreign root of social and economic problems in this country.

The main reason for this compression of a range of positions is that I assume a polarized model of the world, i.e., that countries can be generally associated with either an ‘imperialist’ status or a ‘dependent’ (‘imperialized’) status. The qualitative differences between these two groups of countries is part of an internationalist framework for evaluating the less significant differences that exist within the group of imperialist countries, e.g., between Canada and other members of the G7. A rounded analysis of Canada must address the differences and conflicts between Canada and other imperialist powers (particularly the US). However, dependency writers tend to focus so one-sidedly on these differences that it is necessary to first emphasize how much Canada has in common with other imperialist countries.

My political motivation for emphasizing the polarization at a world scale is that it helps to sharpen the discussion of the character of nationalism in countries like Canada, that clearly rank somewhere between the very largest imperialist powers and the poor, super-exploited countries of the ‘Third World’. Sometimes a little exaggeration helps clarify the key issues in dispute. I think the risk here is worth taking.

1.3.5 Canada and the politics of nationalism
The subject of this thesis is Canada’s political-economic status rather than the politics of nationalism. However, the latter is what motivates my study of the former, and so I will briefly elaborate the classical socialist approach that still informs understandings of how these two issues are connected. This approach highlights the cardinal distinction between the political character of nationalism in different political-economic contexts. It also focuses on the social roots of nationalism within imperialist countries.

Nationalism is an ideology that assumes that all social classes who share a common language, culture and territory (i.e., who constitute a nation) share a fundamental social interest in the creation, unity and sovereignty of their nation. Classical socialism therefore emphasized that nationalism does not have a universal political character. It varies according to the social context, according to which class interests it helps to advance or retard. Rosa Luxemburg wrote: “National states and nationalism are innately empty shells into which each historical epoch and the class relations in each country pour their particular material content.” (quoted in Wheelright, 1975, 8)
Nationalism was progressive when it advanced the fight for the social and political demands of the bourgeois-democratic revolutions in Europe. The rising bourgeoisie relied heavily on the social weight of the working class, peasants and urban petit-bourgeois allies to defeat the feudal and landowning classes who acted as a brake on social and economic development. These alliances made it necessary to extend some democratic rights beyond the bourgeoisie itself. Nationalism was thus most progressive where workers and farmers were able to impress more of their own democratic and social interests into these social transformations.

However, as the main tasks of the bourgeois-democratic revolutions were completed (e.g. national unification, the end of feudal tenure), the character of nationalism changed. It increasingly represented the particular interests of the new bourgeois ruling class. Nationalism now obscured the sharpening social conflicts between classes. It was increasingly used to entrench and justify various forms of social inequality and oppression. Nationalist ideology also tended to narrow the horizon of social struggles to each national state.

Marx and Engels (1973 [1872], 124) therefore argued that, “[T]he working people have no country. We cannot take from them what they have not got.” They considered nationalism a central obstacle to the political independence of the working class, and countered with an internationalist perspective. This internationalism acknowledged the national form and specificity of class struggle. However, it placed these within the larger reality of a world capitalist system that increasingly dominated each national economy. The slogan that expressed this approach was “Workers of the world, unite.”

One aspect of this internationalist approach was the policy on war. At the 1912 Congress of European workers’ parties in Stuttgart, it was agreed that, in the event of an imperialist war between European powers, the working class in every country should “intervene in favour of its speedy termination and to do all in their power to utilize the economic and political crisis caused by the war to rouse the peoples and thereby to hasten the abolition of capitalist class rule” (quoted in Clark, 1983, 59). However, when WW1 broke out in 1914, most workers’ parties supported their own imperialist bourgeoisie. One German social democratic leader justified the new position (symbolized by voting in Parliament for the military budget to ‘defend’ Germany) as follows:

Theoretically the solidarity of interests among the proletariat of the great industrial countries did exist to be sure, but not yet practically....International solidarity of the proletariat was valid only as a slogan in the social democracy. But this solidarity – and this was one of the great new realizations brought home to us by the war – is by no means to be determined in advance....It presupposes a certain equality of status among the powers involved. As long as one nation is so superior to another as to be regarded as a world dominion, this contrast, insofar as it is a matter of other nations standing in opposition to a single world domination, is transposed upon their respective working classes as well. The war opened the eyes of German social democrats to this fact: that, historically considered, it is still too early to speak of an international solidarity of the working class. (Lensch, quoted in Zinoviev, 1983 [1916], 127-128)
Lenin and other internationalists concluded that this 'opportunism' was socially rooted in what Marx had called the 'aristocracy of labour'. Marx had described this as a minority stratum of the working class, composed of better-paid and more secure workers, often centered in monopolistic sectors and benefiting from the exploitation of colonies. The higher-than-average profits in these sectors made it possible for the upper layer of the working class to win certain social and material gains through narrow unionism and electoralism. Trade unions and labour parties increasingly prioritized the particular interests of this relatively privileged layer over the interests of working people as a whole, especially the interests of the most oppressed.

The internationalists also emphasized that nationalism in the working class was mainly promoted by the petit-bourgeois officialdom of trade unions, the workers' parties, appointees to government bodies, and so on. While the working-class interests of the labour aristocracy ultimately conflicted with those of the bourgeoisie, this was not true of the petty-bourgeois interests of the layer of professional officials and bureaucrats at the top of the labour movement. Their very functions inclined towards accommodating the 'common interests' of workers and employers. This layer functioned as a 'transmission belt' for bourgeois nationalism into the working class. They 'educated' workers in a class-collaborationist ideology that did not rise naturally from working peoples' own experience, especially the experience of the most oppressed groups in society.

The internationalists also argued that, in lesser imperialist countries, nationalism often emerges as a tendency by the labour aristocracy and the petty bourgeoisie to endorse and even amplify the bourgeoisie's frustration with the bourgeoisie's weakness relative to more powerful imperialist rivals. In these countries, nationalism tends to assume a 'left' coloration, emphasizing opposition to big-power imperialism, and criticizing the timid way the domestic ruling class protected 'national' interests (Clarke, 1983). In other words, these left-nationalists focus on inequality between imperialist countries rather than on imperialism itself.

While nationalism by workers in the imperialist countries was ultimately attributed to the 'corruption' funded by imperialist superprofits, communists concluded that nationalism in countries that were exploited and oppressed by imperialism expressed very different social interests. Most people in the latter countries suffer from the highly distorted form of social and economic development that accompanies imperialist domination. In this situation, anti-imperialist nationalism could play a progressive and even revolutionary role. This conclusion was expressed by amending the communist slogan to, “Workers of the world and oppressed nations, unite” (see Riddell, 1991).

A similar approach was taken to the nationalism of oppressed nationalities within the imperialist countries. Lenin argued that, here, too, it was necessary to distinguish the character of nationalism of the oppressor nationality from that of the oppressed nationality. Nationalism in the dominant nation tends to gloss over and justify the social inequality that underlies national oppression, while the national demands of oppressed nations are generally aimed against this inequality.  

If this classical approach on the relation of political-economic status to the political character of nationalism is applied to Canada, the cardinal question is which political-economic status best
describes Canada. Is Canada is an imperialist country in its own right, or is Canada, to any significant degree, politically oppressed and economically exploited by foreign powers, i.e. imperialized?

If Canada is imperialized (a semi-colony, or some intermediate category where foreign domination is still a central issue) nationalist planks are necessary and appropriate in any socialist political platform. They would reflect the common interest of working people and other social layers -- even sections of the bourgeoisie -- who are willing to oppose foreign domination. A left-nationalist strategy would discriminate against foreign capitalists and promote state enterprise to counter-act the power of foreign capital and their domestic allies. For example, it would make sense to oppose strongly ‘free’ trade relations that might reinforce subordination of the national economy to foreigners and those domestic forces who profit from such relations at the expense of national interests. While socialism would presumably remain the ultimate aim, the left-nationalist program would emphasize current opportunities to regain sovereignty and to shift the national economy in more progressive directions within the framework of capitalism.

On the other hand, if Canada is an imperialist country, a socialist political platform would reject Canadian nationalist economic measures like trade protectionism, subsidies for domestic capitalists, and schemes to promote ‘national competitiveness’. Following the logic above, these proposals are likely to express the particular interests of the labour aristocracy (and ultimately the ruling class) at the expense of the long-term interests of working people as a whole. The socialist platform would instead advocate measures that protect the interests of workers and their allies from capitalism at home and abroad, and which point towards the need for socialist (rather than national) solutions. ‘Free’ trade would be opposed as another pro-capitalist policy, but this opposition would not become the framework for other activity.15

1.4 An experience that motivated this study
To express some of the point above in a more concrete context, I will briefly cite my own experience as a mill worker in the BC forest industry in the early 1980s. This was a period of large-scale unemployment and closure of forest-based communities. An international recession had sharply reduced demand for forestry products. Those mills slated for survival were being retooled with laborsaving machinery. Remaining stands of accessible old-growth timber in the province were being rapidly exhausted.

In these circumstances, what solutions should have been advanced by the forestry unions? I was part of a small left-wing rank-and-file caucus within the International Woodworkers of America (IWA), the largest forestry union in BC. Our caucus argued that the union’s priority in collective bargaining and wider political action should be a campaign to reduce the average hours of work. This would preserve or increase the number of jobs, and ensure more workers could retain union membership. It would allow workers to share some of the benefits of re-tooled mills which could now produce twice as much lumber as before with half as many hours of human labour.

Our caucus also linked this measure to the need to undertake large-scale efforts to replant and thin trees on the millions of acres of land which the forest corporations had left NSR (not satisfactorily restocked). Another element of the caucus program was implementing affirmative-
action hiring policies, including adjustments in seniority rules to ensure the first round of layoffs would not eliminate all those most recently hired. They were motivated on the basis that the union should fight to ensure that more women and Natives benefited from the relatively well-paid employment in this industry. Overcoming historic divisions within the working class along these lines would enhance the union’s ability to press our interests with the employers and the government.\textsuperscript{16}

Demands for shorter hours and affirmative action were part of the official IWA demands going into collective bargaining. However, in practice the union leadership prioritized a very different ‘solution’ to the unemployment crisis. They argued that the union’s main task was to prevent raw logs from being exported, so they would become “available” for processing in B.C. sawmills, plywood mills and pulp and paper mills. The IWA’s efforts became almost exclusively focused on a campaign demanding that the government ban all exports of raw logs. While these exports never accounted for more than a few percentage points of the total annual cut in the province, the IWA leaders and their political fellows in the New Democratic Party claimed that the way to put “union members back on the job” was to prevent Americans, Japanese, Koreans and Chinese from “stealing jobs” of workers in B.C.\textsuperscript{17}

In fact, opposing log exports did nothing to address unemployment in the industry. Given recessionary demand conditions, it was hardly surprising that the forest companies failed to employ more workers to process logs in B.C. A few additional loggers cutting trees for export as raw logs even lost their jobs because of the IWA campaign.

More importantly, the campaign against log exports did nothing to point towards more lasting solutions to the unemployment crisis. Our caucus’s experience was that this policy mainly served to divert attention to measures like shorter work hours. We concluded that the focus on log exports was largely an excuse by the union leadership to avoid having to lead woodworkers in the serious challenge to our employers that such solutions would require. It was convenient for them to point at foreign corporations rather than our employers at home. Instead of mobilizing members in collective bargaining and public campaigns, they urged workers to rely on protectionist government regulations. They highlighted our ‘rights’ as ‘Canadians’ rather than as workers.

There were, of course, other reasons why the IWA failed to advance a progressive response to the crisis in the forest industry. However, at the time our caucus concluded that the appeal to Canadian nationalist ideology in the form of a protectionist campaign against log exports contributed significantly to this failure. The IWA leadership argued that BC workers were unemployed because foreign workers were processing “our” logs. Our caucus tried to explain the crisis in terms of the workings of capitalism here and abroad. Union and NDP leaders argued that the Canadian economy needed to be protected from foreign competition. We thought the union should protect its members from our employers. IWA leaders’ rhetoric included unsavory references to the “millions” of Chinese and Koreans who were “desperate” for access to BC timber. We looked for ways to build alliances with other workers and with social groups who should be natural allies of the labour movement.\textsuperscript{18}
Events since then also confirm that the IWA’s focus on log exports contributed to a growing conservatism in the union’s strategy. The focus on log exports prevented serious attention from being paid to the introduction of job-killing technology and ‘flexible’ labour processes that are designed to eliminate unions. The IWA leaders backed away from the NDP (New Democratic Party) policy to nationalize a major forest corporation in order to gain a ‘window’ into the control of the public forest resource by private capital. Workers in other countries were increasingly described by the union leadership as part the problem, rather than part of the solution. Accompanied by much nationalist rhetoric and flag-waving, the majority Canadian wing of the IWA was split away from the union headquarters in United States.

The IWA leadership’s response to the mass environmental movement to protect old-growth forests that emerged in the late 1980s and early 1990s extended this conservative trajectory. Since workers had been routinely tutored by union leaders to blame almost anyone but employers for the difficulties in the industry, it was easy for the forest corporations to drive a wedge between forest-based communities and environmentalists. These forces should have been natural allies in the struggle against the domination of public forests by private corporations. Instead of trying to build such bridges, the President of the IWA, Jack Munro, became the Chairman of the Forest Alliance, the corporations’ main lobby group and vocal opponent of environmentalists’ demands to stop clear-cut logging old-growth forests.  

The debates in the broader trade union movement over how to oppose ‘free’ trade sometimes posed the issue of Canadian nationalism even more directly than in connection with the IWA and log exports. In the late 1980s, I attended a BC Federation of Labour convention as a delegate from the Canadian Paperworkers Union (CPU) where a featured film emphasized the “threat” to “our” Canadian banks by the ‘free’ trade agreement -- at a time when interest rates (and bank profits) were at record heights. Speaker after speaker blamed the (Canada-US) Free Trade Agreement for cutbacks in social services -- when virtually everyone in the hall had been part of the 1983 Solidarity Coalition’s fight against the massive cutbacks implemented by the provincial government five years before ‘free’ trade came into effect. Unions in Quebec were criticized for their lack of enthusiasm for marching under the Canadian flag against ‘free’ trade -- it was assumed they should subordinate their own national interests to “saving Canada”. In short, a Canadian nationalist approach again seriously mis-identified the main problems facing workers, and represented a serious diversion from more effective approaches.

In discussions about opposing log exports and ‘free’ trade, my experience was that criticizing nationalist strategies invariably led to the issue of Canada’s role in the world economy. Unionists who supported nationalist positions often defended their approach on the grounds that foreign interests dominate Canada. They sometimes described this country as a form of dependent capitalism where unions should build progressive alliances to defend Canada from foreign multinational corporations and foreign-inspired cutbacks in social services, de-regulation and ‘free’ trade. I could have accepted the logic of this position if Canada was really a dependent country, but I did not think this was the case. However, there were few useful compilations of the data necessary to disprove such claims. This is one reason I decided to assemble some of the empirical evidence required to address the issues involved.
1.5 Hypothesis
My hypothesis is that Canada is more accurately characterized as an independent imperialist country than the ‘dependent’ country portrayed by most Canadian political economists.

This general hypothesis is divided into two sub-hypotheses that reflect the contrasting assumptions of the dependency and imperialist models of Canada regarding three areas of evidence. These areas and the corresponding assumptions have been synthesized from the Canadian political economy literature in recent decades about Canada’s status in the world economy.

The dependency model of Canada is based on three key assumptions:
   i) The Canadian economy is controlled by foreign investors;
   ii) Canadian capital is comparatively weak and divided along sectoral lines (this contributes to foreign control of the Canadian economy); and
   iii) As a result, industry in Canada is severely underdeveloped relative to that in most advanced capitalist countries.

If one or more of these assumptions can be disproven, the dependency characterization of Canada is called into question.

The characterization of Canada as an independent imperialist country is based on three parallel, but largely opposite assumptions:
   i) The Canadian economy is controlled by Canadian rather than foreign capitalists, and Canada is itself a major foreign investor;
   ii) Canadian finance capital (closely-integrated networks of large industrial and financial corporations) exists (this contributes to Canadian control of the domestic economy); and
   iii) Despite considerable foreign control, the scale and composition of manufacturing industry in Canada compares favourably with that in other imperialist countries.

If one or more of these assumptions can be disproven, the characterization of Canada as imperialist is called into question.

Each of the assumptions will be broken down further, depending on the specific issue investigated, and the availability of data. For example, sometimes the focus will be the changes in Canada over time, while at other times it will be current comparisons between Canada and other countries. It may also be noted that the significance of the claims within each model is slightly different. The ‘dependency’ model largely depends on the accuracy of its assumptions about the extent of direct foreign control of the Canadian economy, while the ‘imperialist’ model relies heavily on the existence of independent Canadian finance capital. In some areas, it will therefore be possible to consider the logical consistency of each model in addition to its consistency with empirical reality.

1.6 Method and data sources
I noted above that this study is primarily empirical. After identifying the relevant assumptions of each model, I compare how well they match the available data. The first reason for this empirical approach is the need to update the results of previous studies. The second reason is that very few
empirical elaborations of the imperialist model exist. There are many examples of dependency approaches, but the imperialist model has been laid out in only broad outlines, by a small number of writers. The third reason is that data is now available on several points that previously could not be addressed in any detail.

While conclusions most often follow from the choice of theoretical or political assumptions, I think that appealing to data is sometimes very effective – "facts are stubborn things". It is thus particularly helpful that more and better data on many of these points are now available.

1.6.1 Early socialist debates on these issues
The debate about Canada’s political and economic status that took place in the 1970s and 1980s is the main point of departure for this study, but this was not the first time these issues were debated. To provide a broader historical context for current discussions and to introduce the significance of the issues, I review how the early socialist movement in Canada, especially the Communist Party of Canada (CPC) in 1920s, understood these issues. In addition to addressing the basis for Canadian nationalism in this country’s early history, the early socialist analysis of Canada contributes economic evidence from a different period about Canada’s political-economic status.

The main source of information on the CPC was a large and very rich collection of documents from Moscow concerning the CPC, copies of which were recently acquired by the National Archives in Ottawa. This collection, called the Comintern Fonds, includes internal CPC minutes and reports and extensive correspondence between the CPC and the Communist International. These documents provide more detail and additional insights to the information previously available in Canada.

1.6.2 Foreign investment
The first propositions about the current Canadian economy addressed in this study concern foreign investment and control. The differences between the two models of Canada largely concern the scale and scope of foreign-controlled investments as compared to Canadian-controlled investments. The main source of data used to investigate these points is the annual survey of the corporate assets under foreign control produced by Statistics Canada under the Corporations and Labour Unions Returns Act (see Statistics Canada, 2001a). This is the most authoritative source on this topic available. It has traditionally been cited to demonstrate the extent of the foreign control of the Canadian economy.

This study takes advantage of several aspects of this data source that were not available to previous studies. One is the additional years of data available, both for recent years, and, by using a related data series, for an earlier period. The other important point is that the sectoral coverage of these official estimates of foreign control has recently been significantly extended. They now include financial as well as non-financial sectors.

To compare Canada with other advanced capitalist countries, I use United Nations (UN) and Organization for Economic Cooperation and Development (OECD) compilations of national data on inward and outward foreign direct investment (FDI). This data has also been greatly improved in recent years, especially by standardizing the definition of FDI.
These authoritative data sources allow me to extend the time horizon considered by previous studies, to increase the number of economic sectors, and to permit more direct comparisons with other countries. These are important advantages when trying to evaluate the significance of foreign investment and control in Canada’s economy.

1.6.3. **Links between financial and industrial capital:**
Past debates about how Canadian corporations in different sectors of capital are connected with each other have been carried out mainly in terms of linkages between corporate directors. While directorship links are important, they are also somewhat ambiguous, because they do not clearly identify the extent or direction of the influence in question. This study instead focuses on share ownership between corporations in Canada to clarify their relationship. This is an important dimension of the strength and cohesion of Canadian capital.

Share ownership data is available from Statistics Canada’s InterCorporate Ownership directory (Statistics Canada, 1999a) in the form of a searchable computer database. This source has not been exploited in past discussions of Canada’s status. One of the most important features of this database is that it groups all corporations controlled by a common parent corporation. In this way, a network of corporations controlled by a common parent (what Statistics Canada calls an enterprise) is revealed. Many of these enterprises have no public presence, which leads Antoniou and Rowly (1989) to describe them as “shadow groups”. While the traditional unit of analysis for analyzing relations between sectors of capital is the individual corporation, I will argue that in Canada it is necessary to address the central role of the enterprise.

In addition to the ownership linkages between corporations in different economic sectors, the Intercorporate Ownership directory also helps clarify how foreign and domestic capital are integrated (e.g., how links between sectors are related to links between nationality of ownership). Both elements are important when evaluating the assumptions that are held by the dependency and imperialist models. For example, the existence of Canadian finance capital implies there are close links between financial and industrial corporations in this country. The imperialist model also assumes these corporations are mostly Canadian; that Canadian corporations are closely linked with each other. In contrast, the dependency model assumes that Canadian corporations are closely linked to foreign corporations.

However, while the Intercorporate Ownership directory provides ownership information, it does not include financial data that indicates the relative size and importance of these corporations. I therefore matched the names of these corporations with those included in the listings of the top corporations in Canada by the Financial Post 500 (1999) and the Globe and Mail Report on Business: The Top 1000 (1999). The latter report assets, revenues and profits taken from public company’s annual reports and what data is available for private corporations.

In other words, the Financial Post 500 and the Report on Business: The Top 1000 identify the most important corporations in various sectors of the economy, and the financial information that details their relative importance. The InterCorporate Ownership catalogue identifies ownership links between these corporations, and how they are grouped into enterprises. I analyze samples composed of the 25 and 75 largest enterprises in Canada and the thousands of corporations they
control through majority (or large minority) share ownership. Previous studies have examined such corporate ownership networks (e.g. Antoniou, 1983), but they have not systematically identified the largest and presumably most important enterprises in the economy.

1.6.4. Industrial structure and development
The differences between the dependency and imperialist models of Canada in the area of industrial development largely concern the size and sectoral structure of the domestic economy. They relate to issues like whether or not Canada is qualitatively different than other imperialist countries in terms of an over-reliance on resource-intensive production, and a failure to develop an industrial base in high-technology, high-value manufacturing activities.

On a number of points, I simply update previous studies, and rely on the same Statistics Canada or similar sources of data. Rather than new information being available, the key issues here generally concern what conclusions should be drawn from this information. In other cases, I favour different measures than have usually been cited. For example, instead of using the manufacturing share of GDP as an index of industrial development, I emphasize the per capita output of manufacturing. I also cite data from a study that classifies industrial production by stage of processing, and so provides a first approximation of the relative scale of 'staple' and 'non-staple' production in Canada. These categories are important to 'dependency' approaches, but they are not reflected in the Standard Industrial Classification system used to report industrial production, or the different classification system used to report trade.

To compare Canada's industrial development with that in other advanced capitalist countries in the last few decades. I use OECD data, in particular that derived from the Structural Analysis (STAN) industrial database (OECD, 1998a). This series adjusts the data provided by member countries for greater consistency and estimates the value of missing elements. This is necessary to achieve the level of consistency and coverage required for economic analysis at a detailed industrial level. This OECD data is significantly better than what was previously available for international comparisons of conventional categories like industrial output, employment, trade, and expenditures on research and development. In addition, the OECD groups industries in terms of the level of technology employed, and this is useful when comparing industrial development in Canada and other countries.

1.7 Outline of chapters
The remainder of my thesis is divided into four Parts that each address one of the above-described areas of evidence. There are one or two chapters in each Part, and the four Parts are followed by a concluding chapter.

Part I (Chapters 2 and 3) provides historical background for the issues considered in their current context in the remainder of the study. Chapter 2 presents a number of counter-examples to the Canadian nationalist narrative about Canada's early history. In Chapter 3, I discuss the debate over Canada's status that was carried out within the Communist Party of Canada in the 1920s. In these chapters, I show that early socialists and communists generally opposed Canadian nationalism, and understood Canada to be an imperialist country. The economic evidence from
the early decades of the 20th century is particularly relevant to the issue of when Canada’s current political-economic status was consolidated.

Part II (Chapters 4 and 5) evaluates the two models of Canada on the basis of the evidence concerning current foreign investment and control. While a central argument of the dependency model is that Canada’s economy is largely controlled through extensive direct foreign investment, I try to show the evidence in this area is more consistent with the imperialist model. There is currently less foreign control than is often assumed, it has declined over time, and there are other countries who host similar scales of foreign investment that are undoubtedly imperialist. While the dependency model has paid very little attention to outward foreign investment from Canada, the pattern here is also consistent with an imperialist status.

Part III (Chapters 6 and 7) addresses the organization of capital in Canada. The central issue is whether the imperialist model is justified in assuming that finance capital exists in Canada, that is, a monopolistic ‘coalescence’ of industrial and financial capital. While most studies in the past have examined this issue on the basis of directorship links between corporations, I focus on ownership links. In particular, I consider whether the largest enterprises in the country are a form of ‘national’ finance capital. The dependency model assumes that the absence of independent finance capital is an important reason for the relative weakness of Canadian capital, and why this country is effectively under foreign control.

Part IV (Chapter 8) compares the dependency and imperialist models in terms of the evidence on the scale and sectoral composition of industry in Canada. The dependency model assumes that foreign control has resulted in a truncated industrial economy in Canada, and this chapter examines whether the data in recent decades upholds this point of view. I try to show that the dependency ‘pessimism’ regarding the scale and composition of the manufacturing sector in Canada is unfounded. Foreign investment and divisions between capitalists in different sectors have not resulted in the kind of industrial underdevelopment assumed by this model.

This is mainly done by comparing Canada to other OECD countries in terms of the relative extent of ‘staple’ production, the manufacturing sector as a whole, and more particularly, high value-added and high-technology industries. While Canada is less specialized in the latter activities than the leading G7 countries, it is not as far behind as often thought, and the gap between Canada and other countries has declined over time. I argue Canada’s industrial base is consistent with imperialist status; for example, in a number of measures it ranks higher than Italy, a fellow G7 member and an imperialist country.

Finally, Chapter 9 evaluates the evidence discussed in the previous chapters. I conclude that, on the whole, the evidence from this study indicates that Canada qualifies as a core imperialist economy. At the very least, I argue that it shows that the dependency model has a serious ‘blind spot’ regarding the Canadian character of capitalism in Canada. I briefly note a few points about what the findings suggest regarding the analytical or theoretical approach needed to better understand Canada. The chapter finally notes some implications of my conclusions for policy issues facing unions and social movements in Canada.
Part I: Early socialists' views on Canada's political-economic status
Chapter 2: Popular and socialist views of Canada before the 1920s

...42 men, by their positions as officers or directors of the leading corporations and business interests of this country, control more than one-third of the total wealth possessed by the nation...it can be readily understood what power these men, by combining their forces, can exert over the masses of the people who are outside their circle, but who must use their railways and their banks and must purchase their manufactures in order to carry on their own business of making a living.


2.1 Introduction to Part I

Most socialists in Canada are left-nationalists. They link the strategy for achieving socialism with the need to defend Canada’s national economic sovereignty from foreign corporations and imperialist powers. However, this was not always the case. My purpose in this and the next chapter is to describe how Canada’s political-economic status and Canadian nationalism were understood by the first generation of socialists and communists in this country. This record has been largely overlooked by Canadian political economy in recent decades. There is a strong tendency to project left-nationalist positions back in time, and to assume that earlier generations of socialists did or should have shared the emphasis that is placed today on Canada’s political and economic sovereignty.

In fact, the approach of most socialists and communists in the first decades of the 20th century was quite different. However, nationalism was an important issue then, as it is now. I think the continuity of this issue reflects a continuity in its context, that is, of the nature of Canada’s political-economic status in the world. It is therefore still relevant to examine how these issues were understood many decades ago, and to address the economic evidence that was raised in past debates.

This Part provides an historical perspective for the points of Canada’s political-economic status that will then be tested in Parts II, III and IV on the basis of recent empirical evidence. In addition to adding some empirical evidence from the past, I think the historical discussion in this Part helps to clarify some of the theoretical points that are at issue in the current debate.

One important intellectual root of the current dependency model of Canada is the ‘new’ Canadian political economy school that emerged in the late 1960s and early 1970s. Watkins (1997, 25) describes this school as “a marriage of Innis and Marx; of staples and class”. It is true that the ‘new’ political economy maintains Innis’ emphasis on staples. However, in this Part, I emphasize that this continuity is not true of ‘class’. I try to show that, in this area, the ‘new’ political economy represents a break with the conclusions that had been reached about Canada by earlier generations of socialists.
The first way I do this is to offer a few counter-examples to the nationalist interpretation of early Canadian history that is partly endorsed by most ‘new’ Canadian political economists. I think these examples also help point in the direction of an alternative interpretation of Canada’s early economic development than is offered by staples theory. They highlight the ‘class’ issues that are neglected in historical accounts revolving around both ‘Canada’ and ‘staples’.

The second point of discontinuity that I highlight is the understanding of Canada’s economy in the first decade or two of the 20th century. In most versions of the dependency model, this was a period when Canada was a staples hinterland, and, increasingly, an economic colony of the United States. However, this was not how socialists of the day understood Canada. They considered Canada a highly developed form of capitalism, and did not view foreign control over the domestic economy as a central concern of workers and farmers.

Another intellectual root of left-nationalism today is the political legacy of Communist Party of Canada (CPC). Although there have been a number of twists and turns in the Party’s positions, it has advanced a left-nationalist political strategy for the past five decades. The CPC political program centers on building an “anti-monopoly coalition” that includes capitalists opposed to the US domination of Canada. The anti-monopoly struggle is considered “a distinct and related stage in the struggle for socialism” whose aim is to “curb the power of monopoly and achieve genuine Canadian independence” (Communist Party of Canada [hereafter CPC], 1982, 283; 285).

This approach is expressed by the CPC’s energetic promotion of a Canadian nationalist axis for today’s movement against ‘free’ trade and globalization. For example, the CPC newspaper, The Tribune, hailed the “all-Canada coalition which [wa]s taking shape” in the late 1980s against the Canada-US Free Trade Agreement. It accurately described this movement as comprised of …nationalist and patriotic forces, the labour movement, Liberals, and socialists. Objectively what is unfolding is unity in action or parallel action between a section of capital, even some monopoly interests, small and medium business, the labour movement and people’s movements around one issue – defeat the free trade agreement.

However, my interest in the CPC in this study does not concern the party in recent decades. Instead, I focus on the intense debate about Canada that occurred within the CPC in the 1920s. Just as ‘new’ Canadian political economy large ignores how early socialists and communists understood the Canada of their day, the CPC largely ignores (or distorts) the positions held by the party during this period. I document how, in the 1920s, the CPC concluded that Canada was an imperialist country, and it rejected counter-arguments that are very similar to some of the positions the dependency model assumes today.

The discussion in the CPC about Canada’s status extended from the Party’s formation in 1921 until about 1931, that is, until the point when it had fallen under the near-total domination by the Comintern in Moscow and Stalinist politics. The discussion about Canada was deeply affected by this broader political evolution, but I focus more narrowly on the economic evidence that was cited in favour of one or other position. In particular, I discuss the points that are investigated in Parts II, III and IV, that is, the role of foreign investment, the organization of capital, and the nature of Canada’s industrialization.
In summary, this Part tries to relate some of the issues of nationalism that were outlined in Chapter 1 to Canada’s early history, and it discusses empirical evidence about the nature of Canada’s economy in the early 20th century. In this way, it also provides an historical background for some of the theoretical issues that are relevant to the current debate over Canada’s status.

The following section of this chapter discusses Canada’s early history, and especially the issue of country’s relationship with the US. I should stress that this section does not attempt to provide a rounded historical analysis of these points. My purpose is simply to point in the direction of an alternative to nationalist interpretations of these events. Section 2.3 of this chapter then describes how early socialists understood the Canadian economy. The more detailed discussion about Canada’s political-economic status that took place in the CPC is reviewed in Chapter 3.

2.2 Canadian nationalism and the United States before the 20th century
The ideology of modern Canadian nationalism is that Canadians share a common national identity and national interest. Given the size and influence of the United States, the most important aspect of this is obviously the struggle to retain a separate national identity and capacity for self-determination. David Orchard, a leader of the left-nationalist opposition to recent agreements on ‘free’ trade and investment expresses this very clearly in the title of his book: The Fight for Canada – Four Centuries of Resistance to American Expansionism (Orchard, 1993). The contents of the book depict the post-contact history of Indians, the British, French Canadians, English Canadians and western Métis as part of a common effort to not become ‘American’. The absence in this account of any distinction between the underlying social character of the various forms of “resistance” in Canada over a period of four centuries is striking.

Of course, in one sense, Orchard’s account is quite correct - Canada is an historical counterpoint to the United States. As Lipset (1971, xiv) put it, “[T]he United States is a result of victorious revolution against British rule; Canada is an outgrowth of the triumph of the counterrevolution”. The result is that “Canada has been a much more conservative, traditional, and hierarchical-elitist society than the United States.” An illustration of this difference is the slogan associated with each country’s constitution: ‘Peace, order and good government’ as opposed to ‘Life, liberty and the pursuit of happiness’.

Orchard tries to give a progressive gloss to the British-colonial-Canadian side of conflicts with the democratic-republican-United States. However, his Canadian nationalist ideology forces him obscure the fact that, in many instances, the actions of workers and farmers in Canada demonstrated that they thought their social interests would be better served by the latter rather than the former. In this respect, Orchard’s account is very much part of the mainstream Canadian historiography advanced by conservative scholars like Donald Creighton (see, e.g., Creighton, 1937).

What is remarkable is how many left-wing political economists in Canada have failed to challenge this bourgeois-nationalist approach. For example, Gordon Laxer explains the “roots of
foreign ownership" in terms of "Canada's curiously incomplete nationalism during its early industrialization" (Laxer, 1986, 9, my emphasis). He argues that what made Canada different from other 'late industrializers' (like Sweden) was that workers, and especially farmers (who Laxer considers the backbone of nationalism in other countries), failed to exert sufficient influence on governments in Canada. He argues that agrarians failed to "oppos[e] foreign economic penetration and [support] military defense of the homeland" (Laxer, 1989b, 231).

The examples below show it is not at all "curious" why Canadian nationalism remained "incomplete". Many ‘Canadians’ did not associate the emergence and consolidation of the Canadian state with their social interests, or they did so to a lesser extent than in other countries. Canada is not the product of a successful bourgeois-democratic revolution. Many of the steps leading to the formation of the Canadian state were anti-democratic measures imposed against the will of the majority of the population. On the other hand, when British and early Canadian governments shifted to more progressive policies, often part of the impetus was the pressure exerted by the more democratic and republican United States.

2.2.1 Canadians and the American Revolution
The first example relates to two key policies of early British colonialism, the Royal Proclamation of 1763 and the Quebec Act of 1773. In some ways, it is surprising that the Royal Proclamation even partially recognized Indian ownership of western North America not settled by Europeans, and referred to Indians as nations. Similarly, the 1773 Quebec Act is often described as being relatively generous towards the French under British rule, restoring French civil law and reversing some restrictions on religious practice that were imposed after the Conquest in 1659. Of course, a different policy was implemented regarding the Acadians in the Maritimes -- in 1775, they were ethnically cleansed and their lands were turned over to mainly Loyalist counter-revolutionaries from the 13 colonies.

The main reason for these partial 'concessions' to Indian and French rights was undoubtedly the precarious balance of forces between British colonialism and the French, the Indians, and the 'American' colonies. In 1763 Chief Pontiac of the Ottawas led an alliance with Hurons, Ojibways and Potawatomis against the terms of the Treaty of Paris which (temporarily) prevented further American and English settlements into the western fur country (now Ontario and Michigan). The British had only barely prevailed over the French in Canada after a long and costly war, and were still greatly outnumbered by French settlers. The Royal Proclamation’s partial acknowledgement of Indian rights was motivated by the need to retain Indian allies against the increasingly rebellious ‘American’ colonies.37

Similarly, the 'liberal' policy shift represented by the Quebec Act was necessary to prevent French Canada from joining the revolt by the 13 American colonies against British rule. The 1774 Continental Congress sent 2000 French-language copies of a letter inviting Québec to join the Congress, stating, “Your province is the only link that is wanting to complete the bright chain of union” (quoted in Orchard, 1993, 14). It emphasized high taxes and the lack of democratic government faced by Canadians. The example of the Swiss Confederation of Protestant and Catholic cantons was cited as a possible model for their membership in the Congress (Wallerstein, 1964, 208). Revolutionary leader Ben Franklin traveled to Montreal to campaign for the Congress, promising, “the government of everything relative to their religion
and clergy shall be left entirely to the good people of the province” (quoted in Ryerson, 1960, 214). The first popular elections in Canada were not the result of ‘British democracy’; they were organized by representatives of the Continental Congress, for leaders of the local militias in areas ‘liberated’ by the Continental army during its invasion of Canada.

In addition to the indirect American pressure favouring concessions by the British, there is also direct evidence of sympathy and support between the American revolutionaries and their fellow colonial subjects in Canada. Pentland (1981, 38) writes that “Canadians in 1775 were decidedly sympathetic to the American revolution, despite a good deal of subsequent writing designed to create a contrary impression”. The British Governor, Lord Carleton, tried to raise a force of 6000 soldiers against the American invasion of Canada, but could only muster 300. He complained that “[T]he Canadian peasantry...not only deserted their duty but many of them have taken arms against the Crown” (quoted in Ryerson, 1975, 31). In Governor Carleton’s view, the Canadians had “imbibed” too freely ‘of the American spirit of Licentiousness and Independence’” (quoted in Ryerson, 1960, 212).

In Canada (i.e., what is now Québec), the main reason that peasant farmers did not support the war against the American rebels was their opposition to feudalism (the British maintained key aspects of feudal tenure in Québec for three-quarters of a century after the Conquest). Ryerson (1960) quotes several examples of French peasants refusing to serve under the command of their feudal seigneurs. Warshaw (1938, 229) similarly quotes British General Burgoyne as having complained of “repeated desertions and insubordination, and believed them due ‘principally to the unpopularity of their seigneurs, and to the poison which the Emissaries of the rebels have thrown into their minds’”. As the Continental army advanced toward Montreal, a deputy of Governor Carleton described,

...the Rebels being in Force, having on their side the Canadian peasants, whom neither the zealous exertions of the General, Clergy or Bourgeoisie could prevail upon to do their duty.” (quoted in Ryerson, 1960, 213)

However, while they did not “do their duty” to their feudal masters and to Britain, few ‘Canadian’ peasants actively joined the revolt of the 13 colonies. Social and economic development was less advanced than in the American colonies. Governor Carleton issued a decree that the property of any able-bodied man who did not join the Colonial militia would be confiscated. The British authorities had forged a close alliance with the feudal elite, especially the Church, which threatened to excommunicate anyone helping the rebels. Warshaw (1938, 228) notes that in many areas “the appeals of the revolutionaries were successfully impeded by the feudal structure from penetrating to the peasantry”.

Similarly, in the Maritime colonies there is evidence of some sympathy for the revolution, but no general uprising took place. In one instance, settlers at St. John’s River voted 125 to 13 to declare their “solidarity with the people of Massachusetts, and their readiness to share with them...the present struggle for liberty”, but the arrival of the British warship Vulture restored Imperial authority. (Ryerson, 1960, 221) A larger outburst occurred on the Chignecto peninsula, where efforts were made to take over Fort Cumberland from 200 British regulars stationed there. In discussing this incident, an article by W.B. Kerr in the Canadian Defense Quarterly, despite
being titled “The American Invasion of Nova Scotia”, admits that “the affair was rather an
insurrection than an invasion”. (cited in Ryerson, 1960, 221)³⁰

The main point here is simply that, contrary to the official mythology, ‘Canadians’ did not
generally identify their interests with a colonial-feudal ‘Canada’ against the American
Revolution. And, while they did not join the revolution, one historian of the War of
Independence has argued that, at one critical juncture “it was the [Canadians’] courageous
refusal to [fight for the British]...that...helped save the American Revolution” (quoted in
Ryerson, 1960, 224).

2.2.2 The War of 1812

The War of 1812 provides additional examples of popular identification with ‘Canada’, and the
attraction to the United States. When the war broke out, Borgia, Papineau and other French
Canadian nationalist leaders in Lower Canada (Québec) first considered declaring neutrality,
though they did eventually vote for war credits in the Assembly (Ibid., 297). Ryerson writes that
in Upper Canada, “[C]learly there was widespread sympathy with the ideals of the American
revolution among rank-and-file settlers” (Ibid., 286). One former and two current members of the
Upper Canada Assembly publicly declared for the Americans, and one of the current members
(Joseph Willcocks) organized a force of pro-US ‘Canadian Volunteers’. US General Hull issued
a manifesto appealing to the Canadian population to take the opportunity to free themselves from
British rule. When he led his army across the Detroit River on the way to Windsor, “some five
hundred settlers went over to the invaders” (Ibid., 294-295). General Brock, the commander of
the British army in Canada, was convinced that only a minority of ‘Canadians’ supported the
British side:

There can be no doubt that a large portion of the population of this neighbourhood
are sincere in their professions to defend the country, but it appears likewise
evident that the greater part are either indifferent to what is passing, or so
completely American as to rejoice in the prospects of a change in Governments.
(quoted in McNaught and Cook, 1963, 286)

It is likely that support for Britain was greatest among the Loyalists who had been granted 3
million acres (Warshaw, 1938, 223) of some of the best land in Upper Canada following the
American Revolution. However, an indication that the British had difficulty raising sufficient
troops among the European settlers is that Indians composed a large share of those fighting with
the British forces, including the large number of fighters led by the Indian leader, Tecumseh.
(Ryerson, 1960, 312)³¹

Having quoted Ryerson on some of these points, it is necessary to note that on some points his
analysis of the character of the war of 1812 is flawed. The nature of British colonialism is, of
course, not in question, but Ryerson argues that, from the US side, this war also represented
“aggressive expansionism”. To justify this characterization, he cites, as a parallel, Lenin’s
description of how Napoleon transformed defensive wars into wars of conquest (Ibid., 272n; see
also Ryerson, 1962b).

It is more accurate to say that in 1812 the United States still represented the progressive forces of
democratic republicanism pitted against British colonialism. Only a few decades had passed
since the War of Independence. It took another decade or two to codify the most democratic and progressive aspects of the American Revolution, like the Bill of Rights. The Civil War, the second stage necessary to complete the American bourgeois-democratic revolution, was still decades in the future.

Novak (1998, 300) argues that the U.S. did not develop into an imperialist country until the close of the century. He notes that the concentration of industry in the U.S. began earlier and developed more rapidly than in Europe. However, the key element of the imperialist stage of capitalism is the development of finance capital (the ‘merging’ of industrial and financial capital). In the United States, this process lagged behind that in leading countries in Europe. As an example of how late imperialism consolidated its hold on the U.S. state, Novak points to the example of Andrew Carnegie. Politically, this leading capitalist was an outspoken anti-imperialist and the chief financial backer of the Anti-Imperialist League, which organized opposition to the pro-imperialist policies of the Republican Party. Waters (1999) argues that the first imperialist war by the United States was the seizure of the Philippines in 1898.

Ryerson (1960, 314) writes that, “in the war of 1812, by their resistance to the American invasion, the people of this country helped to ensure the independent future of the Canadas. Contributing to this outcome was the opposition of democratic American working people to the expansionist war.” He also claims that, “the sentiment...engendered among Canadians by the war...to the extent that it was an actual consciousness of national identity (however rudimentary)...led to a more vigorous assertion of democratic Canadianism” (Ibid., 315). 32

However, in light of the points about when imperialism emerged in the US, it is not obvious that “an independent future of the Canadas” (that is, independent of the US) was historically progressive, especially given the conservative, pro-British form this future took. Ryerson’s statements are contrary to the classic socialist assumption that the social needs of working people are better served by democratic republicanism than by colonial reaction. They also seem at odds with the examples he provides of how working people in that period viewed these issues. 33

2.2.3 The 1837-38 ‘Rebellion’
The most important example of how nationalism should be interpreted in this country’s early history is in relation to the 1837-1838 rebellions in Upper and Lower Canada, Canada’s failed bourgeois-democratic revolution. The rebellions demonstrated wide popular support for American-style democracy against British colonialism and the Family Compact. The ‘American’ influence on the points included in the “Declaration of Independence” issued by rebel leader Robert Nelson is clear: Republican government; equal rights; no “civil disqualification” of Indians; separation of Church and State; freedom of religion; abolition of feudal tenure; end to capital punishment except for murder; freedom of the press; trial by jury “in its most extended and liberal sense”; free public education; elections by ballot; and use of French and English in public affairs (“Declaration”, cited in Ryerson, 1975, 77).

Unlike the US War of Independence, the 1837-1838 rebellion was militarily defeated by the British authorities. While less extensive a struggle than the American Revolution, the Rebellion was more significant than is usually described. The armed actions were the culmination of widespread popular agitation in both Upper and Lower Canada. In Lower Canada, more than
one-quarter of the adult population signed the ‘92 Resolutions’ on which the rebels campaigned against colonial-feudal rule (Palmer, 1992, 74). Of the one million or so inhabitants of Upper and Lower Canada, several hundred were killed in the fighting during 1837-1838, 32 revolutionary leaders were executed, hundreds were transported to penal colonies, and many other forced into exile.

In evaluating the extent of support for the 1837 Rebellion in Canada, it is useful to bear in mind that the American Revolution also faced opposition from within the population of the Thirteen Colonies. US historian Hal Draper (1999 [1962]) writes:

Yet I must report that the very best historical authorities admit that the percentage of the colonial Americans who supported the Revolutionary side against the British was only -- one third. Specifically, according to the best estimates, one third supported the British; one third supported the Revolution; and the last third just wanted to be left alone to hoe their corn.

This makes our model revolution a minority putsch. For the life of me, I can’t think of another country in the world whose great national revolution was not supported by a majority of its own people.

Foreign support is another indication of the extent of the 1937-1838 Rebellion. This movement gained the attention and expressions of moral support by democratic forces as distant as the Chartist movement in Britain. The rebels had considerable support in the United States, but the U.S. government prevented widespread aid, especially military reinforcements, from American sympathizers. By comparison, the American Revolution received significant material aid from outside forces, notably France.

Finally, the generally popular character of the 1837 Rebellion is evident from the social composition of the convicted rebels. The largest number were farmers, followed by workers and small businessmen and intellectuals. On the eve of the attempted insurrection in Upper Canada, William Lyon Mackenzie stated that the “…foundrymen and….axemakers” were the forces, above all, “who could be depended on” (quoted in Ryerson, 1975, 132).

One of the most significant consequences of the defeat of the rebellions is that the process of unity that had developed between French Catholic and English Protestant rebels was cut off. In 1840, Britain merged the two colonies into an “unequal union” (Ryerson, 1975) that consolidated the political subjugation of Québec within the Canadian state.34 The democratic movement against colonial rule did not disappear, but it became dominated by leaders who were more bourgeois than the generation of 1837-38. Their demands centered on ‘responsible government’. When this was finally granted in 1849, it was arguably more the result of the shift in colonial policies in Britain promoted by the industrial bourgeoisie35 than any mass democratic pressure from within Canada.

In short, if there was a nationalist position in Canada during this period it was represented by the democratic, republican rebels of 1937-1838. They wanted to make Canada more like the US and less like Britain.
2.2.4 Confederation

The Canada that did result was formed by Confederation in 1867. The British supported this political unification of seven separate colonies in order to prevent their American rivals from taking over what is now western Canada, and by capitalists in Canada who wanted to consolidate and expand the domestic market. Penner (1977, 18) notes that, "to the extent there was popular agitation it was against Confederation". This was especially true in the Maritimes, where reform leaders like Joseph Howe in Nova Scotia won local elections by campaigning against Confederation. In other words, the formation of the Canadian state was not deeply influenced by popular values. As Penner notes:

The Canadian government at Confederation was completely and openly a businessman's government which could do, and did, what was required to promote the capitalist economy, and which inserted authoritarian provisions in the BNA Act (Senate, Legislative Council in Québec, power of disallowance, etc. to safeguard the bourgeois interest. (Ibid., 18)

Ryerson (1975, 380) points out that the only intervention in Confederation “from below” was by the Métis in Manitoba. In 1869, the vast North-West territory was transferred by Britain from the Hudson’s Bay Company to Canada without any representation granted to the 12,000 Métis who lived in what is now Manitoba. The Métis formed a Provisional Government and negotiated with Canada for provincial status; recognition of Métis land rights (along with promises to settle land claims with their Indian allies); Catholic and Protestant schools; and equality of English and French languages. Fearing that the US would take advantage of the situation, the Canadian government reached a formal agreement with representatives of the Provisional Government.

However, the agreed-upon terms were largely reversed within several decades. This had clearly been intended from the outset of negotiations, when Prime Minister MacDonald wrote in a letter that, “should these miserable half-breeds not disband, they must be put down by force”. Another letter stated that the Métis should be “kept down by a strong hand until they are swamped by the influx of [English Protestant] settlers.” (quoted in Ryerson, 1975, 388-389) Within several years following Manitoba’s incorporation into Canada as a province, the Métis and their Indian allies were greatly outnumbered by new settlers, many recruited by the anti-Catholic, anti-French Orange Order in Ontario. Most Métis never received the land promised in the agreement with Canada, Catholic schools were soon denied government support, and French was banned from the legislature.

Large numbers of Métis and Indians were displaced westward into Saskatchewan. There, a second, armed rebellion in 1885 was militarily defeated, partly because the Canadian government was now able to send in troops by railway, and by making the first field use of the newly invented machine gun. Métis leader Louis Riel and ten Indian leaders were executed for treason. Huge demonstrations in Quebec called for Riel’s release, and even his all-English jury recommended clemency. Prime Minister McDonald’s calculated reply was: “He will hang, though every dog in Quebec bark in his favour.” (quoted in Orchard, 1993, 63) The Toronto News suggested: “Strangle Riel with the French flag. That is the only use that rag can have in this country.” (quoted in Ryerson, 1980 [1943], 79) In other words, the first extension of Confederation also extended some of the most oppressive aspects of the new state that now ruled the northern portion of the Americas.
2.2.5 Popular access to land

The final example of the progressive influence of the United States concerns what is the central issue in any new settler state - popular access to land. As Pentland’s (1981) description of the origins of labour markets in Canada makes clear, the British colonial strategy was to restrict the amount of land for settlers in order to assure there would always be sufficient workers with no alternative but to work for wages. The clearest statement of this strategy was written by Edward Gibbon Wakefield, who drafted the lengthy appendix in Lord Durham’s 1839 Report (Craig, 1973) that discusses this point. In the last chapter of Volume I of Capital, Marx (1975 [1867]) notes how Wakefield’s colonial policy demonstrated that, contrary to the assumptions of bourgeois economists, classes are socially created.36

Under the British policy, huge land grants were made to expatriate landlords, colonial favourites and the clergy who held it for future gain or sold it slowly to ensure land prices remained high. In addition to high prices, farmers bore the burden of tax exemptions on the church’s one-seventh share of all Crown lands that were alienated. Colonial authorities also relied on military discipline to prevent the workers imported to build canals and other public works from leaving these jobs for other opportunities. A colonial official cited in Lord Durham’s Report stated, “only one-tenth of all lands alienated by the Crown were settled in 1838.” He writes that,

…the ‘monopolists’ had by 1837 ownership and control of over approximately 10,000,000 acres in Upper Canada, of which 2,395,687 were in the hands of the Church of England; 2,484,413 in the hand of the Canada Company; and the balance, acquired by direct grant, or purchase at ridiculous prices, or grants to others, such as the 2,911,787 acres of the lands granted to the United Empire Loyalists. Hundreds of thousands of acres of Indian lands were in the hands of individual members of the Family Compact. (quoted in Warshaw, 1938, 223-24)

However, as Lord Durham complained in his Report (Craig, 1973), the British policy of maintaining high prices for land was undermined to a considerable degree by the easier access to land under the more progressive agrarian policy in the United States. Millions of Canadians and immigrants to Canada voted with their feet, crossing the border to the US for the land and jobs in industry fostered by the US policy.37 By 1873, there were an estimated 400,000 French Canadians in the US, and a half a million people emigrated from Canada to the US between 1860 and 1890 (Pentland, 1981, 73). In the middle decades of the 1800s, emigration to the US was more than half the total immigration to Canada. In the early 1800s, Canada’s population actually declined because emigration south exceeded total immigration from Europe into the country.

Another contrast with the colonial land policy is what occurred when it was later decided to settle the West. Contiguous settlement was impossible across the rocky Shield, and it took some time to exhaust areas of land that were more easily accessible. However, it is arguable that the main factors in the settlement of the West were social and political, not physical. Britain and the new government of Canada feared that if settlement of the huge western prairies did not quickly occur, this area would fall under US control, especially as the agricultural frontier in the US was reaching its limits. It thus became necessary to adopt the much more democratic, ‘American-style’ policy on land. In fact, whole sections of the 1872 Homestead Act were closely modeled on its US counterpart, because the more restrictive system applied in Canada until that time...
would have failed to attract sufficient numbers of settlers. The settlers were needed to consume industrial goods produced in Southern Ontario and Québec, and to consolidate British-Canadian sovereignty of the west and the route to the Pacific.

In retrospect, a case can be made for the theory that the British colonial restriction on land was one of the main reasons for the slower economic development of Canada as compared to that in the United States. In the later period, Canada's more rapid development was based on adopting the more democratic approach south of the border. Of course, this argument requires more evidence and elaboration, but I note this possibility to indicate how the social and economic consequences of British colonialism and American republicanism are central issues when interpreting the character of nationalism in Canada's early history. Their consequences in terms of popular access to land are also more important than is acknowledged in interpretations of Canadian history that begin from the nature of staple products and staple markets.

### 2.2.6 Summary

I have tried to show that the social interests of many early 'Canadians' made them want to become more rather than less 'American'. In the early period, to the extent 'Canadian' nationalism existed, it tended to be anti-feudal, anti-colonial, pro-republican and even pro-United States. The defeat of the 1837-1838 bourgeois-democratic revolution meant that when Canada was founded as a separate state it did not as clearly express the democratic and social aspirations of working people as in the United States. In many respects, the US continued to provide a more democratic and socially-progressive example. In short, there are good reasons to believe that popular interests might have been better served if what emerged out of British colonialism in the northern half of the continent had been an extension of the United States rather than an independent Canadian state.

### 2.3 Early socialist positions on Canada's economy and Canadian nationalism

The reference point of the discussion so far has been essentially democratic. The working class represented a very small minority of the population in Canada, and the political interests of farmers had still not been clearly distinguished from those represented by bourgeois political parties. However, with the emergence of industrial capitalism and independent workers' and farmers' organizations in the later 19th century, the reference point for this discussion becomes socialist.

If the Canada that emerged in the late 19th and early 20th century was a dependent country, one would expect the economy to be foreign controlled, rather than by a core group of indigenous capitalists. In these circumstances, socialists and other working people might be expected to have thought that Canadian nationalism at least partly reflected their social interests. My purpose in this section is to provide examples that indicate this was generally not the case, and that they did not view Canada's economy as dependent. In particular, I will note socialist views on the aspects of Canadian political economy that will be discussed in their current context in Chapters 4 through 8 -- foreign investment, the organization of capital and industrial development.
2.3.1 American perspectives
Most labour and socialist organizations in Canada emerged as extensions of the more advanced movement in the United States. This is partly because industrial development in Canada was a generation behind that in the United States. There was also no strong political motivation to organize separate national organizations in Canada. The greatest organizational division among working class organizations was along language lines. As a result, the differences between workers in Canada and the United States were often less significant than between workers of different nationalities.

However, there were also larger political-theoretical issues involved. Given the greater industrial development of the U.S. it was often assumed that socialism would emerge first there, and spread to Canada. More generally, given the generally common conditions and interests of working people in both countries, it was natural for socialists in Canada to hold a ‘continental’ rather than a ‘national’ perspective.

One indication of this political logic is an 1887 book, The Politics of Labour, by Ontario labour journalist, Phillips Thompson. The author described his book as a critique of the “American” economic and political system of capitalism. As historian Jay Atherton notes in an introduction to a recent edition of this book, Thompson used the term ‘American’ “in its broad continental sense as including Canadian”. Atherton goes on to write that “[I]n the 1880s this was a fairly revolutionary concept, really only understood only by the labouring classes” (in Thompson, 1975 [1887], xviii). In other words, while the reference point for the developing Canadian bourgeoisie was still primarily British, for working people it was American.

Another example of this perspective is that one of the first avowedly Marxist organizations in Canada, formed about 1911, called itself the Socialist Party of North America. This ‘party’ never had more than a few hundred adherents, mostly in Southern Ontario. What is notable is the political perspective indicated by its name, along with the fact that this group produced some of the central theoretical leaders of the Communist Party of Canada that would emerge a decade later, including Maurice Spector and Florence Custance.

2.3.2 Free trade
The approach that early socialists took on the ‘national question’ in Canada is reflected in their stance regarding that long-time issue in Canadian politics, free trade with the United States. Left-nationalist opponents of ‘free’ trade today often root their stance in the National Policy of the 1870s and 1880s and the campaign against the Reciprocity Treaty in the 1911 federal election (see Orchard, 1993, 69-92). However, popular and socialist opinion of the day was generally supportive of free trade and opposed to protectionism.

In the early years of the National Policy, the promise that industrial prosperity would result from protectionism made it a popular policy among workers in central Canada. However, the National Policy failed to reverse the severe depressions that struck in the 1880s. An independent labour movement had begun to develop and to articulate the distinction between class and national issues. Watt (1957) summarizes the findings of the 1889 Royal Commission on Labour and Capital as follows:
"...[A]n increasingly self-conscious and aggressive proletariat [grew] up, fostered, paradoxically, by the National Policy of which one great arm was national unity. Moreover, this group was coming more and more to equate the interest of Capital, its alleged enemy, with the National Policy, and even with the spirit of patriotism." (quoted in Penner, 1977, 30)

Penner writes that,
This note of rejection of the National Policy and of its concomitant appeal to patriotism and nationalism is to be found with increasing frequency in the several labour periodicals which began to appear in the late seventies and early eighties. (Ibid., 30-31)

There is certainly little doubt that farmers in western Canada generally opposed the National Policy tariffs on US goods, and favoured the opposite policy of Reciprocity (free trade). Orchard (1993, 89) describes how, during the 1911 election, a delegation from the Grain Growers’ (a leading farmers organization) lectured Conservative leader Borden on the benefits of Reciprocity. What is notable is that this “fourth generation Saskatchewan farmer” (Orchard, 1993, cover) fails to address the contradiction between his praise for Borden’s protectionism and the farmer roots he celebrates.

The socialist opposition to Canadian nationalism was registered in the 1911 federal election, which was fought largely over the Reciprocity Treaty with the United States. The two largest socialist parties of the day were the Socialist Party of Canada (SPC), and the Social Democratic Party (SDP), each with about 3000 members. These parties took opposite positions on the issue of Reciprocity, but they did so from a common stance of opposition to nationalism. The SPC denounced Reciprocity as a “red herring devised to draw away the awakened proletariat from its pursuit of Capital” (quoted in Penner, 1977, 50).

In contrast, the SDP supported Reciprocity. The editor of the SDP-aligned paper, Cotton Weekly was William Cotton. Initially, Cotton opposed reciprocity (Penton, 1978). He apparently then changed his mind and argued for support of Reciprocity as a “step towards free trade” (Penner, 1977, 50). Cotton’s argument was that free trade would draw Canada closer to the more advanced capitalism in the US and thus hasten the advent of socialism. He viewed Canadian nationalism as “a bourgeois ideology meant to mask the exploitation of the workers by Canadian capitalists” (quoted in Penton, 1978, 180). Cotton had also opposed the 1910 Naval Bill (to establish a small Canadian navy), arguing there was no need for a Canadian navy to protect the national interest since there was “no national interest to protect”. In his view, Canada was “an artificial country thrown together by the BNA Act.” (quoted in Ibid.)

In summary, independent farmer and labour organizations developed for the first time in the period following Confederation, and the first socialist organizations emerged by the turn of the century. They began to articulate distinct social interests and political positions, notably on issues like protectionism and Canadian nationalism. Again, and contrary to what I think is often assumed in current dependency accounts, the examples discussed above indicate that socialists did not generally identify the interests of workers and farmers with a separate Canadian state.
2.3.3 Early socialists on the Canadian economy

I focused above on the views of early socialists on Canadian nationalism, especially the central question of the United States. I will now review the economic analysis of Canada that corresponded to these views. As Penner (1982) details, early socialists did not progress very far in developing a Marxist analysis of specifically Canadian conditions. However, two pioneering studies of Canadian capitalism provide some indication of how these issues were understood.

A point of particular interest here is the analysis of the concentration and centralization of the Canadian economy. In discussing when the United States became imperialist in the section above, I noted that imperialism is generally associated with the process of monopolization and the merging of industrial and financial sectors of capital to form what is called finance capital. In countries that are still colonies or semi-colonies, the development of strong and united groupings of national capital is often blocked by the economic and political hegemony of foreign powers. The analysis of Canada on this point thus provides one indication of its broader political-economic status.

Who Owns Canada?

In 1913, the Grain Growers' Guide, one of the most important organs of the radical farmers movement in Canada published a detailed study entitled “Who Owns Canada?” The answer given was that “42 men control $4,000,000,000, or more than one-third of Canada's wealth in railways, banks, factories, mines, lands etc, etc.” (Grain Grower's Guide, 1913) This conclusion was reached by identifying a core group among the corporate officers and directors in Canada detailed in the annual reports of companies and other publications. The author made it clear he (or she) did not claim that 42 men “absolutely control” the companies of which they are officers and directors, but that “in the great majority of the companies such claims could be substantiated”. The article also stated there are “comparatively few instances that the big men who comprise the Canadian aristocracy have invested their money in enterprises that they do not control.”

One significant element of this description of the corporate organization in Canada is the identification of two major groups, each anchored by a leading bank and one of the two major railways. The first was the Bank of Montreal-Canadian Pacific Railway (CPR) group; the second was the Bank of Commerce-Canadian Northern Railway (CNR) group. The first is described as the older and stronger corporate group, with five common corporate officers or directors listed to indicate the close connection between these corporations. With combined assets amounted to over twelve hundred million dollars “it can be readily understood that this group exercises an enormous influence upon the business and political life of Canada”. The further influence of the group is illustrated by listing the many other companies that also shared corporate directors with the Bank of Montreal or the CPR.

The Bank of Commerce-CNR group is described as “hardly less powerful”. Here the links between the two are made by noting that the President of CPR “holds a good slice of stock in the Bank of Commerce”, that the Bank Vice-president also acts as director and senior council of the railway, and that “it is no secret that however much money [the President and Vice-president of the CPR] have personally, the CPR is generally short of funds and that the overdraft of the company is carried by the Bank of Commerce”. The associations between the bank and railway
are also defined by listing the other companies to whom they are jointly linked through
directorships and over which they exercised significant influence.\textsuperscript{45}

It seems likely this analysis was indirectly influenced by early theorists of imperialism like
Hobson (1965 [1902]) and Hilferding (1981 [1910]), although a more direct influence was
probably the populist and liberal campaign of the day in the United States against the ‘Money
Kings’, ‘Captains of Industry’ and ‘Trusts’. The Pujo Congressional Committee, established in
1912, issued a pioneering analysis of interlocking directorships in the United States in 1913
(Scott, 1997, 106). The Grain Grower’s Guide’s focus on the close connection between banks and
industrial firms is very similar to the Pujo Committee’s approach. It places great stress on the
issue of the concentration and centralization of capital, even claiming that:

\begin{quote}
It is doubtful if ever before in the history of the world there has been such a
concentration of the control of wealth in the hands of a few as exists in Canada
today.... This condition is the result of a comparatively modern development,
which is taking place...throughout the civilized world. (Grain Growers Guide,
1913)
\end{quote}

Like Hobson and Hilferding, the Grain Growers’ Guide article also stresses the role of the state
in promoting monopolization, writing that “[T]he protective tariff has been, and is a great factor
in the concentration of manufacturing industries in comparatively few hands. Protection is the
father of Trusts”. It further states this “modern development” in Canada became apparent thirty
years before, when the CPR “was so lavishly endowed from the public treasury.” The close links
between Big Business and government are underlined by noting that, of the 42 leading
capitalists, 12 had titles conferred on them by the Crown, and another 8 held seats in either the
Canadian Senate or the House of Commons (Ibid.).

This study does not pay direct attention to the role of foreign capital in its analysis of the 42
leading capitalists. This is one indication that the issue was not of great concern to left-wing
farmers and workers of the day. The main political demands are expressed against the banks and
railroads, which were mainly Canadian-owned, and against Ottawa (rather than London or
Washington).\textsuperscript{46} The general impression is that the 42 capitalists and 204 corporations listed in the
article were considered ‘Canadian’, although some exceptions are noted. One of the 42 leading
capitalists was a member of the British House of Lords, and two resided outside Canada (all but
two of the rest lived in either Montreal or Toronto). Foreign ownership is sometimes mentioned
when grouping the corporations under the control of the 42 capitalists (for example, when
describing the Bank of Commerce-CNR group, English investors are identified as holding a
majority interest in one associated company, the Grand Trunk Railway).

If the Grain Growers’ Guide did not consider it analytically or politically important to distinguish
separate groupings of foreign capital, it may have been because it assumed the $4 billion in
corporate wealth controlled by this core group of 42 Canadian capitalists constituted the
dominant force in the economy. One contemporary account cites a British newspaper as
estimating that British, American and European capital invested in Canada amounted to $2.64
billion (Meyers (1970 [1913], xxxiii). If, as claimed, the $4 billion represented “more than one-
third” (see above) of a total national wealth, the latter would be in the order of $12 billion. A
crude comparison suggests that foreign capital was substantially smaller than that controlled by
the 42 ‘Canadian’ capitalists, and may have amounted to perhaps one-quarter of the total capital invested in Canada.47

On the other hand, while paying little attention to foreign investments within Canada, the study did list which of the companies controlled by the ‘42’ were “foreign companies” (that is, companies outside Canada). These foreign assets amounted to a little more than half a billion dollars, or 14% of the total assets controlled by the group of 42. All the companies listed are railways, tramways or light and power companies, and all were located in Latin America except for two in the United States. This scale of foreign investments certainly indicates that Canadian capitalists developed substantial interests abroad even before WW1 (although some of these investments were almost certainly owned jointly with British or American investors).

This early study of Canadian capitalism is significant for several reasons. It identifies a high degree of concentration of wealth in Canada controlled by a close-knit core of Canadian capitalists. It highlights the links between financial and industrial capital along the lines of theories of finance capital, the organization of capital associated with imperialism. Finally, it lists significant Canadian investment abroad, notably in Latin America. Modern Canadian political economy tends to see this as a period when Canada was falling under U.S. control (see, e.g. Naylor, 1975), and wonders why farmers and workers were not more nationally inclined (e.g., Laxer’s (1989) comments cited above). The Grain Growers’ Guide explains that they thought their real problem was Canadian monopoly capital.48

The History of Canadian Wealth

The second study of Canada that is worth noting is Gustavus Meyers’ (1972 [1913]) The History of Canadian Wealth.49 There are many similarities between themes in this book and the article in the Grain Growers’ Guide, especially concerning the concentration of capital in Canada. The book begins in very similar fashion: “[T]he rapid concentration of wealth in Canada is no mere fancy. Already it is estimated, less than 50 men control $4,000,000, or more than one-third of Canada’s material wealth as expressed in railways, mines, land and other properties and resources.” (Ibid., p.xxxi) He particularly draws attention to the structure of banking in Canada, arguing that “Perhaps nowhere in the world can be found so intensive a degree of close organization as among the bank interests in Canada.” (Ibid., xxxii)

The focus of the book is the origin of this wealth. Meyers begins with a discussion of the role of the fur trade in terms of the Marxist concept of the primitive accumulation of capital. For example, he cites an 1857 memorial from the [British] Committee for the Aborigines Protection Society, to the British Parliamentary Select Committee on the Hudsons’ Bay Company:

“The Committee of the Society stated that the Indians were the real producers of the huge wealth from the fur trade, estimated on competent authority at £20,000,000, which had already gone to England.” (Meyers, 1972, 134; citing the Report from the Select Committee on the Hudson’s Bay Co. to the British Parliament, 1857)

Meyers quotes estimates that half the revenues of the Hudson’s Bay Company came back to Canada for reinvestment.
The second origin of wealth Meyers details were the huge land grants to colonial favourites and clergy under both the French and British, along with subsequent rounds of land speculation. For example, Meyers noted that almost the whole of PEI was given away in a single day, mainly to absentee landlords in Britain. In Ontario, 3.2 million acres of some of the best land was distributed to United Empire Loyalists, much of it in large plots to colonial officers and officials (Ibid.).

A third theme in Meyers’ account is the central place of railway and banking charters in the accumulation of private wealth. A large portion of the book is given over to muckraking accounts of graft, inside deals and outright fraud in granting of railway charters, the financing their construction with public funds, and all manner of ‘stock watering’. The book also traces the close ownership and directorship interconnections between bank, insurance, and railway capitalists.

Ryerson praises Myers’ pioneering effort to present Canadian history “in terms of a dynamic of class structure” (Ryerson, in his “Introduction” to Meyers, 1972, xiv). Ryerson also agrees that “[C]orruption and the suborning of the state for the private enrichment of elites has been the constant corollary of ‘free’ enterprise since its inception”. However, Ryerson points out that Meyers’ emphasis on this point is so all-pervading that “the role of production, of productive labour as the well-spring of wealth, is overshadowed” (Ibid., xvi). One illustration of Meyers’ failure to apply a consistent Marxist approach is that, rather than describing wage-labour itself as exploitation, he reserves this term for instances of low pay or employers failing to pay all the wages owed their employees.

Like the Grain Growers’ Guide study, Meyer’s book paid little attention to the question of the nationality of wealth. This is a further illustration that it was not a major issue in radical and socialist circles of the time. Two of the leading origins of wealth he discusses were rooted in the colonial system, but his focus is how the domestic capitalist class was created through these processes, rather than Britain’s exploitation of its colony. Similarly, he notes the growth of US “branch factories”, but does so to emphasize the growing monopolization of industry in Canada.

In summary, both Meyers’ book and the Grain Growers’ Guide article describe the Canadian economy as controlled by a highly concentrated domestic capitalist class. Neither explicitly links their approach to the issue of Canadian nationalism. However, both the lack of attention to this issue, and the fact that they both describe the structure of capital in ways that point to the imperialist stage of capitalism are very consistent with the political antipathy of socialists of the day towards Canadian nationalism.

2.4. Summary and conclusion

My purpose in this chapter has been to show that, contrary to what I think is often assumed, early democratic and social opinion in Canada was not generally Canadian nationalist in the current sense of the word. Many workers and farmers in what is now Canada would have liked the British colonies north of the border to become more like the American republic to the south. There was a nationalist movement against British colonialism, but it had a republican and sometimes even ‘continental’ character, and was militarily defeated in the ‘Rebellions’ of 1837-38. The Métis-Indian ‘Rebellion’ against Canada was similarly crushed by force.
The most important underlying issue common to all these events is probably popular access to land. I will briefly discuss the staples interpretation of Canada’s early history in Part IV, but one of my reasons for noting these events is that I think they point to the failure of staples theory to seriously address the social control of land in early Canadian history.

There is also little evidence that workers and farmers considered foreign economic domination of early Canada to be a central problem. Instead, the political emphasis by early populists and socialists was the highly monopolized form of modern capitalism in Canada. While a detailed and consistently Marxist analysis of Canada had not yet been developed, the analysis by the Grain Grower’s Guide and Gustavus Meyers indicates that socialists of the day thought of Canada in terms of the domination by finance capital, that is, the form of capital that is characteristic of imperialist economies.
Chapter 3: The Communist Party of Canada on Canada

There are those who fondly imagine that the Canadian capitalist class is not Imperialistic; that it is not engaged in the process of greedy expansion. This is a mistaken notion which misleads the workers and farmers of Canada; which lulls them to sleep in the rocking chair of parliamentary reformism; which makes possible the most savage machinations of imperialism beneath the mask of parliamentary democracy. The Worker, August 23, 1924

3.1 Introduction
The first detailed discussion of Canada within an explicitly Marxist framework occurred within the Communist Party of Canada’s (CPC), in the decade or so following the party’s formation in May 1921.51

The CPC’s initial program was similar to that of communist parties in other advanced capitalist countries. It centered on replacing the Canadian capitalist government with a working class government. However, a few years later, this strategy was adjusted in favour of a left-nationalist approach. The CPC began to instead emphasize the need to first overcome the colonial domination of Canada by Britain and the US.

As I described in Chapter 2, until this time socialists in Canada had not perceived there to be much of a link between the social interests of workers and farmers in Canada and the interests of Canada as a nation. The new perspective assumed that working people did, in fact, have a stake in the economic and political sovereignty of Canada, even under capitalism. It argued that working people and some sectors of the bourgeoisie shared an interest in opposing foreign domination. At times, the CPC even projected national independence as a separate step or stage in the fight for socialism.

By the end of the 1920s, the CPC returned to its earlier description of Canada as an imperialist country, and it rejected its earlier support for Canadian independence.

In this chapter I will review this evolution in the CPC’s understanding of Canada’s economic structure and its political implications.

3.1.1 The relevance of this debate
There are several reasons why the debate about Canada that took place in CPC three-quarters of a century ago is relevant to this study’s examination of Canada’s current status. The first is that similar political issues are involved. In the 1970s, the Waffle faction of the NDP characterized Canada as an economic colony of the US, and advanced an “independence and socialism” perspective similar to the nationalist approach advanced by the CPC for a few years in the mid-1920s. The ‘independence and socialism’ formulation has also been cited in recent discussions
about the New Politics Initiative promoted by the left wing of the NDP (Panitch, 2001).
Similarly, current dependency approaches to issues like ‘free’ trade and globalization generally
prioritize opposition to foreign rather than domestic capitalism, and this was also true of the CPC
in its nationalist period in the 1920s. On the other hand, the claim that Canada is an imperialist
country has been raised throughout the 20th century and into the 21st, along with the corollary
arguments against giving support to any form of Canadian nationalism.

In other words, while some circumstances have changed, each new political generation has
addressed similar issues about the implications of Canada’s political-economic status for
political strategy. In particular, they have had to address the specific interaction of class issues
and ‘national’ issues in the Canadian context.

Another reason to review the early debate in the CPC is to identify some of the criteria that come
into play in defining Canada’s political-economic status. Some of the arguments and areas of
evidence cited in the 1920s are very similar to those that will be addressed in Parts II, III and IV
of this study, i.e., whether foreign investors predominate the economy, the internal divisions
among Canadian capitalists, and the nature of industrial development in Canada. The discussion
in the 1920s provides a preview of their role in recent debates.

A third reason for examining the CPC debate in the 1920s is to clarify when Canada became
either dependent or imperialist. I will briefly discuss how contemporary models of Canada view
Canada’s economic history in Parts II, III and IV. For example, some dependency writers like
Levitt (1970) focus on the loss of Canada’s political-economic independence following WW2.
Most others, like Naylor (1975a, 1975b), argue that Canada was a dependent economy from
birth, that this country never developed an independent capitalist economy. Resnick (1982, 1989)
suggests Canada ceased to be dependent by the 1970s. In contrast to all of these positions,
Carroll (1986) argues that an imperialist economy in Canada emerged in the late 19th century.
The evidence cited in the CPC debate helps to clarify the periodization of Canada’s political-
economic status.

I will outline and contrast three periods in the CPC’s understanding of the Canadian state. The
first period dates from the party’s formation in 1921 until 1924. During this time, the CPC
generally assumed that Canada was like other advanced capitalist countries, where ‘national’
issues represented the interests of the domestic bourgeoisie. The second period extends from
1925 to about 1928. The CPC’s understanding of Canadian capitalism was expressed by its
support for the movement for Canadian independence. It characterized Canada as a dependent
colonial nation, oppressed and exploited in the first place by Great Britain, and then increasingly
by the United States. By the end of 1927, the “colonial” description was abandoned, but the
demand for independence was retained for another year or two. During the third period, from late
1928 to 1931 the CPC finally rejected the independence demand, and formally characterized
Canada as an imperialist country in its own right.

My focus is on how the CPC understood Canadian capitalism in each of these periods. A central
political influence on the discussion about Canada was the party’s political evolution towards
Stalinism, especially as it increasingly fell under the direct political supervision of the
Communist International (Comintern) in Moscow. Canada’s status was a major issue in the CPC’s political evolution, and this issue was often exploited for factional ends.

In my view, Stalinist politics subordinated the development of a clear and consistent analysis of capitalism in Canada by the CPC to the current political priorities of the bureaucracy in the USSR. It would thus be a mistake to assume that the various positions taken within the CPC and Comintern were based on appeals to principled arguments and objective empirical evidence about the economics and politics of Canada. However, it is also true that the participants in the discussion tried to defend their approaches using economic facts and the history of this country. It is these points that are most relevant to this study. They are worth reviewing almost in spite of the political motivations of the various protagonists in this debate, especially during the last part of the period discussed.

3.1.2 Sources of information
The evolution of the early CPC’s understanding of Canada has been outlined in a number of political histories of the party. They include the CPC’s own account of its history, Canada’s Party of Socialism (CPC, 1982), and works by its longtime chairman, Tim Buck, a leading participant over the whole period considered, e.g., Yours in the Struggle: Reminiscences of Tim Buck (Buck, 1977) and Lenin and Canada, (Buck, 1970). A number of scholarly accounts, notably Soldiers of the International (Rodney, 1968), The Communist Party In Canada: A History (Avakumovic (1975), The Canadian Left (Penner, 1977), Canadian Bolsheviks (Angus, 1981) and Canadian Communism (Penner, 1988), provide more complete descriptions of the party’s different positions in the various periods of its political history. The latter also document a number of points on which the CPC and Buck have advanced misleading and contradictory accounts.

In addition, two primary sources were consulted for my review of the CPC discussion. The first is the CPC’s newspaper, The Worker, other party publications like The Canadian Labour Monthly, and a Comintern journal published in New York, Communist International. The second and main primary source for this study was a large collection of Communist Party and Comintern documents that were recently obtained by the National Archives in Ottawa from the Centre For The Preservation And Study Of Records Of Contemporary History in Moscow. These documents, which are part of a larger collection of Comintern documents related to Canada called the ‘Comintern Fonds’ (hereafter CF), include minutes of leading CPC bodies, internal reports, correspondence between the CPC and the Comintern, and minutes and correspondence of Comintern Commissions related to Canada. I selected and reviewed the microfilm reels likely to contain material about the CPC using the ‘Finding Aid’ (National Archives, 1995) for the Comintern Fonds collection.

I did not consult a third major source of primary material on the CPC, the documents now held in the Public Archives of Ontario that were seized by police during a WW2 raid on the party’s Toronto office. However, judging from what is cited from this collection by other authors (e.g., Penner, 1977), on some points the Comintern files provide a more complete record. In particular, they include minutes, reports and correspondence of Comintern officials in Moscow, as well as personal correspondence by CPC leaders when they were in Moscow. In most respects, the material in the Comintern Fonds confirms the scholarly accounts based on the other two sources.
noted above. However, this collection adds useful details and further insights, including about the debate that is of interest here, over whether Canada was a colony or an imperialist country.

3.2 The initial CPC characterization of Canada’s political-economic status (1921-1924)

At the time of the CPC’s founding in May 1921, no detailed analysis of Canadian capitalism from a Marxist perspective had been developed. As I noted, the main emphasis in early left-wing publications was the highly monopolized form of capitalism in this country. These positions also often reflected populist rather than self-consciously socialist or Marxist perspectives.

For their part, the socialist and Marxist positions of the day were generally rather abstract, dogmatic and ultra-left. For example, when the CPC was founded, ‘undergroundism’ was still considered a near-principle by communists in Canada. It took several years for the Comintern to convince its supporters in Canada that this feature of the Russian experience did not apply to countries like Canada where workers exercised bourgeois-democratic freedoms. Similarly, it took time for communists in Canada to abandon their previous, ultra-left aversion to political activity within the ‘reactionary’ American Federation of Labour (AFL) unions to which most organized workers belonged, and to begin cooperating with other working class forces within local Labour Parties.  

An influential contribution to this process was Lenin’s pamphlet, Left Wing Communism, An Infantile Disorder (Lenin, 1977a, Vol. 31 [1920]), which was serialized by two labour newspapers in Canada in 1921. Lenin sharply criticized the substitution of “revolutionary phrases” for “the utmost flexibility in tactics” in “taking into account of all the forces, groups, parties, classes and masses in the given country”. An indication that the CPC had only begun to “take into account” all the social forces in Canada is that the only mention of farmers in its founding program refers to them as peasants (as in “Workers and Peasants Councils”), and the program is silent on the issue of self-determination of Francophone and Native peoples. (“Program Resolution”, The Communist, Vol. 1 No. 1, in the Comintern Fonds [hereafter CF], Reel 271-3)

3.2.1 Dominion status

However, the formation of the CPC did mark a step forward in developing a more concrete socialist analysis of Canada in some important respects. One point addressed in its founding program was Canada’s status as a Dominion within the British Empire. The following excerpt from the “Program Resolution” of the founding convention of the CPC in 1921 distinguishes this relatively privileged status from the lot of other British colonies:

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The Dominion of Canada is one of the several so-called self-governing colonies of the British Empire where in the colonial bourgeoisie is granted a measure of political autonomy and control of fiscal policy. By reason of this privileged status, the Dominion is an auxiliary of British Imperialism and directly and indirectly furnishes military and political support to Great Britain in her domination and suppression of the unprivileged Crown colonies, and India, Ireland and Egypt as well as in the furtherance of British imperial aggression generally. The Communist Party of Canada will [illegible] unmask the real character of British Imperialism and militarism and the part played by the Canadian
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bourgeoisie in the maintenance of the empire. The Communist Party of Canada
will carry on a steadfast agitation against any contribution to the support of the
Empire imposed on the Canadian working class whether by the British or
Canadian bourgeoisie and declares its solidarity and support by all means at its
disposal of the colonial movement of liberation from the British Imperial Yoke.
(“Program Resolution”, in The Communist, Vol. 1 No. 1, CF Reel 271-3; also in
Angus, 1981, 168)

This issue of The Communist also included an article “England as a World Power” by Eugene
Varga, which similarly distinguished between two groups of British colonies. The first are those
with Anglo-Saxon and immigrant populations where “the aboriginal populations have been
exterminated, and who enjoy wide autonomy” (listed are Canada, Australia, New Zealand and
South Africa). The second are “colonies peopled by natives, i.e., conquered nations”. Another
reflection of the distinction among British colonies is evident in the minutes of a 1922 meeting of
the Comintern’s Anglo-American Group in Moscow (a secretariate of the Comintern responsible
for relations with English-speaking sections). A report summarizing a discussion of the
“Colonial Question” stated: “But it was questionable whether the term colonial was suitable in its
application to Australia, New Zealand and Canada, which were great independencies.” (“Anglo-
American Group”, Oct 17, 1922, CF Reel 269-1)

During its first few years, the CPC maintained the emphasis on the relatively privileged position
of the Canadian bourgeoisie within the Empire, including Canada’s role as an “auxiliary” of
British imperialism. In mid-1924 an editorial in the party newspaper titled, “Break with British
Imperialism”, argued that:

The claims for autonomy put forward by the [Mackenzie] King Government are
not anti-imperialist in the workers’ sense. The bourgeoisie of the self-governing
Dominions feels itself growing sufficiently strong economically to demand an
“equal voice” in imperial and international affairs with the British bourgeoisie.
There is no desire in Ottawa, apparently, to break the British Imperial Front, but
to have some share in arriving at imperial decisions. The Dominion bourgeoisie,
servile colonial though he is in his psychology and sentiment for the
“Motherland”, yet wants his pride tickled without going too far, by the
“autonomy” claim. He would like to have more of a share in the exploitation of
India, Egypt and the other Crown Colonies, just now pretty well the preserve of
the English exploiter.
...Even ‘partnership’ on the basis of equality with England, is partnership in one
of the greatest imperialist machines in exploiting the Eastern peoples in
history...The workers and farmers of Canada should break the bonds of Empire --
should refuse any sort of participation in imperialist exploitation.” (“Break with
British Imperialism”, The Worker, June 21, 1924)

As this editorial makes it clear, the CPC did not view greater political autonomy as a progressive
demand. Rather, it concluded that the workers and farmers of Canada must “start a real
movement to free themselves of the bourgeois financial-capitalist clique which rules the
country”. Instead of the Canadian bourgeoisie being oppressed by imperialism, they were strong
enough to demand an “equal voice”, and “share in the exploitation” of the British Empire.
In other words, as Angus (1981, 168) points out, the early CPC did not think there was any remaining progressive social role for the Canadian capitalist class to fulfill, such as leading a national struggle against imperialist domination. Notwithstanding the few vestiges of colonial rule associated with Dominion status, the issue of state independence was essentially resolved. Instead of comparing Canada to British colonies like India (and despite reservations about growing US investment that will be discussed below), the party assumed that the strategic political framework in Canada was essentially similar to that in developed capitalist countries. It placed the choice between “Capitalist State and Workers Republic” at the center of its founding program (see “Program Resolution” in The Communist, Vol. 1 No. 1, p. 5, CF, Reel 271-3).

3.2.2 Industrial development
One reason for distinguishing Canada’s status from other British colonies was the significant expansion of industrial production and exports from this country. A CPC representative to the Comintern emphasized this development in an October 1921 report in Moscow. It notes that the “consolidation” of Canadian capitalism was greatly hastened by WW1. Production is described as “more than ever controlled by finance”. Banking, relative to economic development, was “very highly if not [the] most developed in the world.” The report notes that railways, except for the CPR, were centralized in the hand of the state. Canada is described as a major granary, but “the value of industrial manufactured products now surpasses the value of her agricultural output”. As a result of this industrial expansion, the report argued that the Canadian bourgeoisie was becoming independent of Britain. (“Report of the Communist Party of Canada (23/10/21)”, CF, Reel 271-3)

Editor Maurice Spector also noted the material basis for Canada’s growing independence from Britain in a 1923 article in The Worker. The article reported that the recently concluded Imperial Conference illustrated the decline of the British Empire. On the issue of tariffs, Britain had had tried to re-affirm her role as the “industrial metropolis” and that the various colonies were “producers of primary products only”. However, this goal had “run up against the rocky fact of Colonial industrialization”, especially that of Canada, the second largest industrial producer in the Empire. Pointing to several independent initiatives by Canada in foreign affairs, Spector concludes: “It is the fresh political concessions to the Dominions that are significant.” (“The Failure of the Imperial Conference”, The Worker, Dec. 22, 1923)

3.2.3 US investment in Canada
While the growing strength of the Canadian bourgeoisie relative to Britain was noted, so was the growing role of US capital in Canada. It was sometimes even suggested that the Canadian bourgeoisie was trading British for US control. The “Manifesto” of the 1922 Worker’s Party referred to “Canada’s possible development as an industrial capitalist power”, but immediately linked this to its growing dependence on the United States in the context of the latter’s growing rivalry with Britain (“Manifesto”, in Angus, 1981, 344). An article in The Worker quoted the Canadian Department of Commerce as stating that, in 1918, total investment in Canada totaled $1.650 billion. Of this, 34% was held in the United States, compared to only 9% in Britain and 54% in Canada itself. However “by all accounts” the US share had grown by then to about 50%. The number of US branch plants had increased from about 350 before to WW1 to almost 800 in 1922, while the number of British branch plants had only grown by about 20. (“The Dominion of Canada: A Study of ‘Peaceful Penetration’ and its Results”, The Worker, July 4, 1923)
The relative strength of the Canadian bourgeoisie was also qualified by its allegiances to either Britain or the US. One report from the CPC to the Comintern in 1923 or 1924 describes the Canadian bourgeoisie as torn between US and British imperialism: “And thus capitalist Canada is not a unit; it is a house divided against itself.” (“Report on Canada”, CF Reel 98-11). An article in The Worker titled “Economic Conquest of Canada by US Capital,” subtitled “How Americans Will take Possession Unless Workers Do” expresses this approach. It reported that US investment in Canada was now greater than British investment ($2.5 billion as compared with $2 billion), and quoted the statement of a Professor Nearing, that British political control with American economic control, “creates an unstable equilibrium which can be remedied only when the same group holds both economic and political control”. While the article argues that “Canadian businessmen...are politically committed to a ‘pro-empire’ [British] policy”, it raises the possibility that American control might be achieved through either direct military force or, more likely, by promoting a “pro-United States campaign for Canadian public opinion, which will justify peaceful annexation.” (“Economic Conquest of Canada by US Capital”, The Worker, May 10, 1924)

The significance given to foreign investment in Canada was taken a step further in a 1924 editorial, “Our Triple Foe”. In place of a clear political emphasis on the central role of the Canadian bourgeoisie it argued:

The Canadian working class is the object of exploitation by a triple master class. We have our home grown exploiters....Then we are the object of exploitation by British imperialism on the one hand and Wall Street imperialism on the other.

(“Our Triple Foe”, The Worker, July 26, 1924)

As will be argued below, the “triple master class” formulation was a bridge to the more explicit ‘anti-imperialist’ and nationalist perspectives that would soon dominate CPC politics. At the same time, it is important to distinguish this position from the explicit support for ‘Canadian independence’ that would be adopted in 1925. This can be seen by the conclusion to the article cited above, “Economic Conquest of Canada by US Capital -- How Americans Will take Possession Unless Workers Do”. This conclusion projected “a third possibility, namely that the producers on both sides of the Canadian boundary might throw off their imperial masters, join hands, and organize an American producers federation.” In other words, it clearly opposed a national perspective for workers and farmers in Canada, and instead posed a continental framework for the struggle for political power.

3.2.4 Canadian finance capital

I have shown that the early CPC emphasized the relatively privileged position and growing economic and political strength of Canada within the British Empire, while occasionally suggesting that Canada was falling under US economic control. In this light, it is important to record that during this period the party also described Canada as an emerging imperialist power. This is most clearly expressed in several articles on the nature of the Canadian economy published by The Worker during 1923 and 1924 by H.M. Bartholemew. These articles emphasized the development of finance capital in Canada, underlined the emergence of Canadian investments in Latin American countries, and outlined a political approach to farmers that is consistent with imperialist status. 
The first series by Bartholemew began with an article titled “Banks, Bankers and Legislatures”. It describes how in “little more than a generation” Canada was transformed “from a land of hunters and pioneers...into a country of mills, factories and railroads”. The result of this process, along with “land grabbing...expropriations...corruption of legislatures...has been a concentration of wealth and a centralization of power such as few countries can rival”. The article cites the House of Commons Debates in stating “fifteen men control assets in excess of $4,295,000,000, or considerably more than the whole national debt of Canada.” (“Banks, Bankers and Legislatures”, The Worker, January 1, 1923)

The rapid centralization of economic power is illustrated with the example of banking. While in 1905 there had been 34 different banks in Canada, there were only 17 at the time the article was written, and 59% of all their assets were accounted for by the “big three”. The fact that in the United States there were 7,885 national banks and 21,961 banks under state charter showed “how centralized the Canadian banking system has become.” The article highlights the power held by the Canadian Bankers Association (CBA) through its mandatory membership and control of the clearinghouses. The power of the CBA was exemplified by the fact that the measures it drew up in response to a credit crisis on the eve of WW1 were immediately enacted by the federal cabinet. “And why not?” Bartholemew writes of the government’s “prompt action to save the day for class privilege and property rights”, listing the 18 directorships in major companies held by eight members of the cabinet. (Ibid.)

The second article in this series outlined how a closely linked network of railroads, banks, controlled the economy of western Canada and industrial and agricultural corporations. This article will be further discussed below in relation to farmers. A third article (“Cotton Gold and Power” (The Worker, February 1, 1923, pp. 3-4) extends this description of the “chain of banks and industrial undertakings which have their pivot in the Bank of Montreal (BM) and the CPR”. It notes the ownership links between the BM, CPR and the Montreal City and District Savings Bank, and the latter’s ownership of shares in the Commercial Bank of Canada, the Consolidated Bank of Canada, and the Union Bank of Canada.

Bartholemew also cites the numerous directorship links between the BM and CPR and various other industrial corporations. The Dominion Textile Company, with more than seven thousand employees in the “industrial east” had three BM directors (one of whom was also from the CPR), and one from the Royal Bank. Montreal Cottons Ltd. had two BM directors, and Penman’s Company had one director from the CPR and one from the Royal Bank. The Montreal Light, Heat and Power Consolidated had two CPR directors, one BM, and one Royal Bank. The same was true of the Shawinigan Water and Power Co. Three CPR directors and two from the BM were directors of the Laurentide Company Papermill. The Consolidated Mining Co. had three directors from the CPR and one from the BM.

In a later article in 1924, Bartholemew turned his attention to the Royal Bank of Canada, described as the third largest in Canada. Its directorate is described as a “perfect reflection of the rise to dominance of finance capital; of the development of Imperialist expansion”. The Bank’s directors “sit on the boards of 79 industrial and commercial enterprises in almost every phase of industrial activity in the Dominion.” For example, five were directors of the Montreal Trust Co.,
three of the Steel Co. of Canada, and two of each of Canada General Electric, Tuckets Tobacco Co., Sun Life Assurance Co., Holt Renfrew Co., Eastern Trust Co., Northern Electric Co., Dominion Engineering Ltd., and National City Bond Co. (“Is There Canadian Imperialism? Article No. 2”, The Worker, Aug 30, 1924). Another article focuses on the Halifax-based Canadian Bank of Commerce, the second largest bank in Canada. Describing the bank’s evolution beyond the provincial arena it argues the Bank “developed into a national institution when the development of capitalist production entered the phase of imperialism and finance capital became dominant.” (“Is there Canadian Imperialism? Article No. 6”, The Worker, September 27, 1924)

Bartholemew made it clear that he considered the main alliance of finance capital in Canada was with British rather than US imperialism. In his article, “The British Empire Steel Corporation” (The Worker, Feb. 15, 1923) he discusses the recent formation of this new company in Nova Scotia, based on the old Dominion Steel Co and with the usual close connections with the CPR, BM and several cabinet ministers. In addition, he emphasizes the involvement (through the BM) with the UK-based commercial bank Barclays Ltd. and the British armaments manufacturer, Vickers Ltd.

This connection is pursued in a later article, “Federation of British Industries” (The Worker, March 1, 1923), which is described as a “soviet of organized capital”, which, along with its sister organization, the Federation of British Industries, leads capitalists in the various parts of the Empire to “speak with one voice.” Leading figures in the British Federation of Industries were involved in the formation of the British Empire Steel Corporation, which the article suggests meant that “slowly but steadily the industries of the British Empire are being linked together” in order to meet the “challenge of the American imperialists centered around the National City Bank, Standard Oil and kindred concerns.”

In the context of the discussion of Canada’s status, the significance of the alliance with Britain is that Canadian capitalists are described as a rising class within the framework of the declining British imperialism. In contrast, an alliance with rising US imperialism would imply less opportunity to develop independent imperialist interests.

### 3.2.5 Canadian foreign investment

In addition to describing the emergence of finance capital in Canada, Bartholemew noted the growth of investments by Canadian capital in other countries. In his article, “Cotton, Gold and Power”, on how the rise of modern imperialism is closely linked to these industries, Bartholemew writes that, “to understand this new phase of Canadian capitalism [in other words, imperialism], it is necessary to add a few words regarding the foreign connections of Canadian banks...[that]...are both extensive and interesting.” (The Worker, Feb. 1, 1923)

The article describes how the Bank of Montreal acquired part of the Colonial Bank in 1920, which operates in the West Indies, South America, British Guiana and the west coast of Africa. The Colonial Bank in turn is described as an important link in the financial chain of Barclays Ltd., the great London bankers with branches and subsidiaries all over the world. Bartholomew goes on to describe the imperialist interests of Canadian banks in Latin America:
The increasing profits of native capitalism demand an outlet and it is small wonder that a large section of the surplus-value wrung from Canadian workers should find its way into other countries in the form of money-capital. Quite early the fabulous natural resources and cheap labour of Brazil attracted the attentions of the banking barons of Montreal. Hence the presence of three directors of the Brazilian Traction Light and Power Company on the Canadian bank and the increasing financial and political influence taken in Brazil. ...Much can be said of the troublesome country of Mexico. The presence of three directors of the Mexican Light and Power Company upon the directorate of the Canadian Bank of Commerce demonstrates that Canadian bankers are vitally interested in the developments taking place in Mexico. (Ibid.)

Of the rival capitalist forces “attracted by Mexico’s fabulous quantities of oil...not the least of which is the Royal Bank of Canada.” The article attributes the “troublesome history of Mexico during the past 15 years” to the rivalry of different imperialist groups for control of its oil, all the while concealing their “real predatory intentions beneath a mask of phrases concerning democracy” and defending “the rights of small nations.” (Ibid.)

In short, Bartholemew’s purpose in these articles was clearly to describe the emergence of the domestic economic base for Canadian imperialism, namely finance capital. In his 1924 series of articles, he repeats his earlier description of the tendency to centralization of capital and highlights the role and power of the banks in Canadian capitalism. He then writes:

Bankers take to themselves the controlling voice in industry, in commerce and it politics. They represent the rise of finance capital and the birth of a new period in the development of capitalist production -- imperialism.

...There are those who fondly imagine that the Canadian capitalist class is not Imperialistic; that it is not engaged in the process of greedy expansion. This is a mistaken notion which misleads the workers and farmers of Canada; which lulls them to sleep in the rocking chair of parliamentary reformism; which makes possible the most savage machinations of imperialism beneath the mask of parliamentary democracy.

It is therefore the duty of the Communist Party of Canada to tear aside this veil of democracy and to reveal the capitalist class in its true light. When this is done we shall find that “our” ruling class is no exception to the laws of capitalist production -- on the contrary we shall find that this class is as imperialistic as any which exists today. (“Is There a Canadian Imperialism? ‘The Dawn of the 20th century Marked the Beginnning of the Dominion of Finance Capital’ (Lenin)”, The Worker, August 23, 1924).

3.2.6 Farmers
The approach Bartholemew takes to farmers in these articles is relevant for two reasons. The first is how it concretizes the CPC’s view of Canadian finance capital. The second is that the emphasis on the alliance with farmers as fellow exploited producers makes it clear that the struggle for political power in Canada had a clear class basis -- it was not the kind of a multi-class alliance against foreign imperialism that applies to oppressed colonies.
In his article “Farming the farmer” (The Worker, Jan 15, 1923), Bartholemew outlines the intimate business connections between the Bank of Montreal and Canadian Pacific Railway, and how, with other associated companies, they dominated the whole western agricultural economy. Four directors of the Bank of Montreal (BM) were also directors of the CPR, including the President of the BM, four CPR directors were directors of the North-West Land Company, and 3 BM directors were part of the government tariff-protected Cockshutt Plow Company.

After describing how farmers were “left with nothing” for their crops after the fees charged by grain elevator monopolists, the article cites the handsome profits reported by Ogilvie Flour Mills Ltd., and points out that three CPR directors sit on its board, plus another CPR director who also represents the BM. Another western Canadian company cited with director links to the BM was the Lake of the Woods Milling Company (which in turn controlled the Keewatin Flour Mills Company, Medicine Hat and Milling Co and the Sunset Manufacturing Co.). The registrar of this company, with its 115 elevators in Manitoba and the North West was the Royal Trust Company. Bartholemew quotes a federal Member of Parliament as characterizing this Trust as “a side door of the Bank of Montreal”, with eight BM officers or directors (two of whom were also directors of the CPR) on its own Board of Directors. The article ends:

The farmers of the Nor’West toil from sunrise to sunset. Their lives are terrible tales of toil. Added to the dangers of frost and hail, cut worms and grasshoppers, there is the overshadowing menace of predatory interests which fasten on their backs and suck their life blood. Ninety percent of the farms are mortgaged. The average debt of a quarter section is $1,700. and despite all his labours, the farmer is confronted with nothing left but a fat mortgage. He would do well to remember the bankers of Montreal when he rages against his many woes.

The point here is that Bartholomew describes the enemy of working farmers as the system of finance capital, something he emphasizes in all his articles on the communist perspective for farmers. For example, he distinguishes the CPC’s approach from the populist objection to monopolistic businesses by arguing: “The success or failure of the various organizations of farmers will be measured not in terms of the wheat pool or the Hudson’s Bay Railway but in terms of their activities against mortgages and debts.” (“Does Farming Pay? The Expropriation of Farmers from the Soil”, The Worker, April 12, 1924)

The other point of note in Bartholomew’s articles is the emphasis given to the class alliance between workers and farmers. In a 1924 article in The Worker he notes that: “The majority of the people in this country are engaged in farming -- a fact often ignored by the active elements of the labour movement.” He argues that unlike Great Britain or Germany, Canada is not “thoroughly industrialized”, and while industry is highly centralized, it is largely confined to Ontario. Bartholomew thus argues:

We must remember that the primary industry of this country is agriculture and that, in this respect the country resembles Russia more than it does Great Britain...We must understand that the capture of political power by the industrial working class alone is an utter impossibility. (“Towards a Workers and Farmers Government”, The Worker, Feb. 16, 1924)
In his view, the weight of agriculture in Canada meant that the Communist International’s slogan “Towards a Farmers’ and Workers’ Republic” is “especially significant” for Canada. The consequence of rejecting a governmental alliance with farmers would be to limit communists to the role of a “perpetual opposition within the existing social order”, of reducing Marxism “to the level of an impotent cult”. (Ibid.) The article goes on to argue against notions that farmers are anti-labour, or bound to private property:

Beneath the manifold contradictions there lurks the essential facts that the farmers are entangled in the mortgage net of finance capital, that they occupy the economic status of the hired men of mortgage, trust and grain companies and that the remedy for their plight lies in an alliance with organized labour for militant action against a common foe. (Ibid.)

These points are also emphasized in Bartholemew’s reply to a letter from the editor of the O.B.U. Bulletin criticizing his articles. He disagrees with the O.B.U. [One Big Union] editor that, as employers themselves, farmers are primarily concerned with lower wages. He instead argues that, “the strangle-hold of finance capital is compelling farmers to think in terms of mortgages and foreclosures...the various farmer organizations are devoting more and more time to this important question, and are slowly mobilizing their forces for a show down.”

Bartholemew emphasizes that farmers will only be won to the side of workers through continuous joint struggle for immediate demands, and that the struggle against the “mortgage net of finance capital...clearly point the first steps along that road which leads to an alliance of great forces.” (“Towards a Farmers’ and Workers’ Government (A Reply to the Editor of the O.B.U. Bulletin)”, The Worker, March 22, 1924)

In these articles, Bartholemew demonstrates that the CPC considered farmers the key social ally of workers because both are exploited producers. This contrasts with the perspective that would apply in a colonial context, where greater emphasis would be placed on alliances with petty bourgeois and even bourgeois class forces, that share an interest in national independence. It also contrasts with an alliance based on farmers’ opposition to foreign domination. Instead, the strategic alliance of workers and farmers is based on the fact that they face the same class of domestic finance capitalists.

3.2.7 Summary

In summary, during the first few years following its formation, the CPC generally characterized Canada as a developed capitalist and even imperialist country, despite its nominal status as a Dominion of the British Empire. Canada’s growing independence from Britain was rooted in the extent of industrialization and the emergence of domestic finance capital. Canadian finance capital was beginning to invest into semi-colonial countries in Latin America. Despite the prominence of British capital and the growing role of U.S. investment, CPC perspectives therefore focused on the struggle against domestic rather than on foreign imperialism.

3.3 ‘Canadian Independence’ (1925-1928)

Within a few months of the August 23, 1924 article cited above, that explicitly described Canada as an imperialist country, the CPC adopted a very different approach. It characterized Canada as a colony, and placed the need to win national independence from Britain at the centre of the
party’s political perspectives. Before describing this significant shift in perspectives, it is useful to note two political influences on the party during this period.

### 3.3.1 Two influences

The first influence on the CPC was the domestic political influence of the movement for greater autonomy from Britain. As noted in The Worker editorial quoted above, Prime Minister McKenzie King was increasingly asserting Canada’s right to an independent voice within the British Empire, notably over tariffs and foreign affairs. Not surprisingly French-Canadian opinion as expressed by Henri Bourassa also favored loosening the ties to the Empire (although Bourassa insisted that any such changes had to respect Quebec’s special constitutional status within Canada). Even Arthur Meighen, the leader of the openly pro-Empire Conservative Party stated that, if Britain went to war, Canadians should be consulted by a referendum as to whether or not they would follow.

Penner (1977, 88) describes the most vociferous intellectual exponents of the nationalist movement in English Canada as John W. Defoe, the liberal editor of The Winnipeg Free Press, his publisher Sir Clifford Sifton, and J. S. Ewert, an Ottawa lawyer, whose The Kingston Papers outlined the legal-constitutional steps required to achieve political independence. From within the workers’ movement, Labour Member of Parliament J.S. Woodsworth (who wrote a regular column in the CPC’s The Worker) had also begun to speak out in favour of amending the BNA Act to achieve more national autonomy. Woodsworth motivated constitutional changes as being necessary to abolish the Senate and to facilitate progressive labour and social legislation.

It is hard to determine the extent to which the CPC’s change in policy resulted from this broader political context. In a 1930 report to the Comintern, CPC leader Tim Buck stated that the party’s support for independence was “to a great extent...a reflection of the pressure of intensive bourgeois propaganda of this type which was widespread in 1924 and 1925.” (“Statement on Political Perspectives in Canada, January 31, 1930”, CF Reel 273-10)

However, the other, and arguably more direct and important influence on the CPC was the Comintern itself. In 1920, the Second Congress of the Comintern had adopted the anti-imperialist united front as the touchstone for communist strategy. However, as Angus (1981) notes, by 1924, the Comintern under Stalin’s leadership had begun to transform the united front tactic into a popular front strategy. In colonial countries, the popular front strategy centered on alliances with the “revolutionary” wing of the national bourgeoisie, most notably the Kuomintang (KMT) in China. The Comintern began to project a separate, bourgeois-led stage of national independence in these countries that would precede the struggle for the dictatorship of the proletariat. At one point, it even advocated the merging of the communist forces in China with those of the KMT, a step well beyond the cooperation and joint action between organizationally and politically independent class forces that had been contemplated by Second Congress.

Angus notes that this shift in Comintern perspectives was expressed in Canada by a flamboyant “anti-imperialism” on the part of the CPC. He cites the example of the July 1924 The Worker article quoted above, “Our Triple Foe”, which proclaimed the Communists’ intention to combat a “triple master class” composed of “home grown exploiters...British imperialism...and Wall
Street imperialism." (Angus, 1981, 166-167) While no new strategy or campaign was projected in order to concretize this perspective (Angus describes the new anti-imperialism as "nothing but phrases"), there is some intimation in these articles of the re-thinking underway. The article states: "In the past colonial and Dominion working class militants have not paid serious enough attention to the phase of the break-up of Capitalism through the attack on imperialism." It argues that,

...the political fate of Canadian workers will in the end probably be similar to the fate of the Latin American adjuncts and colonies of the Morgan-Rockerfellers... Canadian labour should have a united front with the Mexican workers and all South American workers against Yankee imperialism. ("Our Triple Foe", The Worker, July 26, 1924).

A similar notion was expressed in a November 1924 article, headlined "Dominion Becoming Colony of United States Imperialism". It reported that the "steady detachment of Canada from the British Empire and its annexation to the empire of American finance" was revealed in a US government review of the changing proportion of American versus British capital in Canada. The article argued, "Canada's vast wealth of natural resources is going to pay a huge tribute of the financial lords of America". It quoted a US Commerce Department spokesperson characterizing Canada as a northern extension of the United States so far as industrial trade and investment were concerned. ("Dominion Becoming Colony of United States Imperialism", The Worker, Nov. 29, 1924).

In other words, the new emphasis on 'anti-imperialism' had begun to shift the CPC's political focus, from the Canada as an auxiliary of British imperialism and an emerging imperialist power in its own right, to the exploitation of Canada as a whole by British and US imperialism.

### 3.3.2 Independence from Britain

When the CPC did concretize the new anti-imperialist framework, it did so by adding its voice to the movement for Canadian autonomy from Britain. The first definite expression was a February 1925 article in The Worker titled, "Workers Must Break the Bonds of the BNA Act". Federal legislation establishing labour arbitration had been found contrary to the BNA Act because it impinged on provincial jurisdiction. While the article's author, M.S. (undoubtedly editor Maurice Spector) opposed such legislation (because it prevented workers right to strike when most advantageous to do so), his main point was the constitutional issue. Spector wrote,

...the repeal of the BNA Act destroying the sovereignty of British Imperialism and making for Dominion centralization would be in the interests of workers even though certain sectors of the Canadian bourgeoisie desire these things too. ("Workers Must Break the Bonds of the B.N.A. Act. Canadian Workers Must Destroy the B.N.A. Act no less than the Lemiex Act", The Worker, Feb. 21, 1925)

He argued that the workers' interest in this matter was that the King government had tried to avoid the issue of unemployment relief by emphasizing this was a provincial responsibility, and would likely adopt the same tack with regard to the eight hour day.

A more developed, programmatic-style statement of the new CPC approach then appeared in CPC trade union secretary Tim Buck's article, "Canada in the British Empire", the following
month. Buck wrote that, “Politically...Canada is still a colony, still part of the Empire upon which the sun never sets.” He noted that only the British Parliament could amend the BNA Act to alter provincial powers or the role of the Senate, and that nothing in the BNA Act relieved Britain’s authority over Canada’s foreign affairs. Buck went on to state that the economic foundation of Canada’s ties to Empire “upon which all imperialism rests” had rotted away, only to be “replaced by those of the United States”, citing the rapid growth in US investments in Canada as compared with those from Britain. In 1914, British investments in Canada had totaled $2.5 billion while the US total was only $0.6 billion. However, British investments had declined to $2 billion, while US investments had grown to $2.5 billion. While much of the British investment was in government and municipal securities, American investment was concentrated in industry. Buck wrote that, “Every branch factory is a propaganda bureau” (that is, propaganda for closer association with the United States). (“Canada and the British Empire”, The Worker, March 21, 1925)

After noting that Britain had granted political concessions to the Dominions, and that Canada had been trying to assert even more power than had been voluntarily relinquished, Buck wrote:

At first glance one would assume that it matters very little for the revolutionary movement whether England or the United States rules Canada openly or in a veiled form. Capitalism is capitalism, and so far as the average worker is concerned this struggle for political control has little more than a sentimental appeal.

In a very real sense, however, the winning of complete independence from British political control means a great deal to the revolutionary movement of Canada and to the labour movement as a whole. In substance it means the repeal of the British North America Act. It will strip the capitalist government of their everlasting excuse of powerlessness and bring the workers of the country face to face with realities. (Ibid.)

Like the previous article discussed, Buck then tried to connect the issue of the BNA Act to the struggle for workers’ material interests. He noted that provincial jurisdiction over property and civil rights under the BNA Act had been used to thwart a federal arbitration ruling that supported the demand by Toronto Electric Commission workers for a municipally-defined minimum wage. In contrast, provincial jurisdiction over labour matters had not stood in the ways of using federal troops and compulsory arbitration against workers during the 1919 Winnipeg General Strike. Buck concluded this showed how “British imperial domination exercised through the British North America Act is valuable to the capitalists, and detrimental to the interests of the working class”. (Ibid.)

The most significant evolution in the CPC’s political perspectives was expressed in the article’s conclusion. It argued that Communists would support the Canadian bourgeoisie to the extent that they took action towards independence. They would do so even though “Mackenzie King, the present premier, is well known for his long service in Rockerfeller’s employ and his government is serving American interests well today.” Buck wrote:

In their fight for complete independence from Downing Street, the Communists of Canada will help them with all their might. Having won independence, however, when they attempt to turn over Canada lock stock and barrel to Wall Street, they
will find in us their bitterest opponents. Independence is only a stop for each of us. For the dominant economic interest it is a step towards Americanization, to us, the Communists, it is a step towards a Workers and Farmers Republic. (Ibid.)

It is notable that this formulation suggests that Canadian capitalists were fighting for independence from Britain. This was clearly a shift from the CPC’s earlier position expressed in a June 1924 editorial, which argued that the Canadian bourgeoisie had no desire to “break the British Imperial Front”. (“Break with British Imperialism”, The Worker, June 21, 1924) It is also notable that national independence was posed as a step or stage that would advance the struggle for a workers and farmers government. Instead of expressing why the CPC was changing its previous positions on these points, Buck’s March 1925 article advanced a totally different line of argument. As Penner (1977, 88) writes:

This article was written outside the usual Communist frame of reference. It did not refer to anything that Marx or Lenin wrote on the national question. It did not contain a worked out analysis of class relations in Canada. It did not define colonialism in Communist terms even though Lenin had defined it in his speeches to the Communist International. Its definition of colonialism was that of J.S. Ewart, for Buck’s description of Canadian “colonial” status follows to the letter Ewert’s argumentation in The Kingston Papers.79

...Buck attempts to give it a working-class coloration by referring to the jurisdictional disputes between federal and provincial governments over matters of concern to workers: labour laws, unemployment relief, and the eight hour day. A repeal of the BNA Act would put an end to the political football that is made of these issues, he asserts. But the bulk of his argument is in support of constitutional procedures of some importance to the bourgeoisie, but of little immediate concern to the working class. Years later Buck did admit, “our demand for Canadian independence was for bourgeois independence -- freedom from British rule.”80

At other times, CPC leaders attempted to describe their new position in the framework of traditional communist tactics. In a July 1925 article in The Worker the CPC chairman and long-time leader of the labour movement in Canada, Jack McDonald, posed the issue as follows:

Is the Communist Party interested in Canadian independence? For years the socialist movement in Canada maintained a negative or indifferent attitude on this question. We are all familiar with the argument that the independence of the United States did bring with it the emancipation of the workers under capitalism - - so what is the use of a demand for Canadian independence? (“Report of the C.E.C. of the Communist Party for Convention Year”, The Worker, July 18, 1925)

He then tries to equate the struggle for national independence with the communist attitude regarding struggles for partial economic demands:

This argument reveals ignorance of the relation between partial demands and the final goal of the Labour movement. Strikes begin over wages but in the course of development lead workers along the road to political action and the fight for socialism. The struggle for independence is a partial struggle which will contribute to the weakening of Capitalism, Imperialism and the strengthening of
the revolutionary movement. Capitalism today in its last stage maintains itself by the methods of Imperialism. That is one of Lenin’s clear teachings. (Ibid.)

However, this does not clarify why supporting bourgeois independence would “lead workers along the road to political action and the fight for socialism”. The classical communist approach is that the working class learns the need for political independence through experience in struggling for its social interests. In addition to there being few tangible economic benefits of independence, no reason is given for why independent working class political action would be advanced by joining the bourgeoisie’s struggle for greater autonomy from Britain.81 The same contradiction is evident in this editorial:

The Communist Party, while taking an active part in the move for Canadian independence has no illusions. An exclusive class of Canadian capitalists will exploit the workers just as much as the British and American, but the disintegration of the British Empire will be hastened and another step towards a Workers and Farmers Republic of Canada ascended. (“Canada and the Empire”, The Worker, August 8, 1925)82

In any case, in the following month, The Worker reported that a “notable aspect” of the recently held Fourth Convention of the CPC was the “definite adoption of the slogan of ‘Canadian independence.’” It also describes this slogan as the centerpiece of the CPC’s perspectives for the upcoming federal election. (“Fourth Convention of the Communist Party”, The Worker, Sept. 26, 1925)

I noted above that there was a movement for greater Canadian autonomy from Britain, but it does not seem that either its influence, or the arguments about how the BNA Act affected the class struggle in Canada, explain the significant shift that took place in the CPC’s political strategy. It is particularly notable that the new strategy was not rooted in a detailed analysis of the Canadian economy. Rather, it seems that the most significant factor was the effort to apply the new ‘anti-imperialist’ approach of Stalin’s Comintern to the Canadian context. The movement for autonomy in Canada was the kind of bourgeois-nationalist opposition to imperialism that communists were now encouraged to support. And, since this approach did not emerge out of the domestic class struggle, it had to be motivated largely in terms of the wider geo-political struggle against imperialism.83 The more ‘external’ than ‘internal’ logic of position is expressed in this formulation from the Political Report to the Fourth Convention of the CPC in August 1925:

The increasing penetration of American imperialism; the growth of the Canadian bourgeoisie; the necessity of striking a deadly blow at British imperialism bring into the forefront of the political arena the question of Canadian independence...The CPC demands the repudiation of the British North America Act...The Communist Party of Canada demands the complete political independence of Canada. (“Proceedings of the Fourth National Convention of the Communist Party of Canada”, CF Reel 273-5; The Worker, Sept. 26, 1925; similar points are made in “Convention Plans Great Year of Political Action”, Ibid.)84

I have suggested the shift in Party perspectives reflected the Comintern’s political influence, but, according to Penner (1988), this influence was at least initially, indirect. He claims (Penner,
1988, 86-87) that the CPC adopted the 'Canadian independence' slogan without prior consultation with the Comintern in Moscow, and that this was actually the first time the party had changed its position on an important issue without the Comintern's advice. In any case, shortly after the above articles appeared in The Worker, CPC delegate William Moriarty attended the fifth plenum of the Executive Committee of the Communist International (ECCI) in Moscow where a "Canadian Commission" of the plenum reviewed and fully approved the Party's policy. According to Rodney (1968, 118), the resolution by the Canadian Commission at the ECCI plenum stated "the two most powerful imperialist systems of the world play battledore and shuttlecock with the people of Canada." These conditions had created an independence movement in Canada, which, although it was led by petit bourgeois elements, farmers and intellectuals, was still in the interests of the working class. The Canadian Commission advised the ECCI that,

...the CPC should understand that the question of Canadian independence is the central question of the entire political strategy of our party...the main struggle should be directed against British imperialism, the British monarchy, and the British bourgeoisie, with abrogation of the BNA Act as one of the immediate objectives. (Ibid.)

Over the next year or so, independence was a central point in the CPC's political perspectives. One example is the coverage of the 1926 federal election in The Worker. While previously the Party had been indifferent to which bourgeois party held power in Ottawa, it now suggested there were real stakes involved. When Mackenzie King's government lost a vote in the House of Commons and Governor General Byng refused to dissolve parliament, The Worker claimed this was because Byng wanted Conservative Party leader Arthur Meighen to form a government and thus gain the advantage of incumbency in the election, which would shortly follow. It claimed that:

The real battle is over the possession of the right of exploitation of the tremendous natural resources and basic industries of Canada by rival big interests. British imperialism as represented by Meighen, as against a strategic policy of Canadian autonomy by Mackenzie King. ("King Government Falls and Battle of Capitalist Parties to Exploit Labour Begins", The Worker, July 10, 1926).

The next week's banner headline read, "Canada Under Gen. Byng's Dictatorship". (The Worker, July 17, 1926) This headline was obviously calculated to raise the issue of an Imperial suppression of democracy, but the subtitle is even more revealing in dulling the distinction previously drawn between Canada and other British colonies: "Is Dominion Second Egypt or Shall the British North America Act Be Scrapped?" (Ibid.) A companion article urged support for farmer and Labour candidates, who could have a "real impact" in obtaining the passage of social legislation given the relatively even balance of forces between the Liberal and Conservative parties. An editorial a couple of weeks later emphasized: "The constitutional issue is of the greatest importance in the upcoming election." It suggests that workers had reason to "chafe under the semi-colonial status of Canada" and to favour an independent constitution "because it is a matter which concerns the everyday struggle of workers against capitalism. Dominion status is neither fish, flesh nor foul. It allowed any amount of room for confusing the situation with phrases." ("The Constitutional Issue", The Worker, July 31, 1926)
Of course, the CPC did try to distinguish its support for independence from others who put forward similar positions. In one article, The Worker’s editor, Maurice Spector, attacked Labour MP J.S. Woodsworth for his “middle-class” politics, including on constitutional issues. (“A Criticism of the Bourgeois Element in Mr. Woodsworth”, The Worker, July 24, 1926) Spector also thought it necessary to draw a line between the CPC’s support for independence and “timid middle-class nationalists” like the lawyer J.S. Ewart. In an editorial discussing Ewert’s speech at a public meeting on constitutional issues he wrote: “A little of the fire and emotion of Bourassa would have been much in place… We cannot expect leadership from the Ewarts -- helpful as they might be in their way, if they had more courage.” (“Constitutional Issue’ for Labour Canadian Independence”, The Worker, July 31, 1926).

However, most of the CPC’s argumentation for independence was not very different than these “middle-class” proponents. This may explain why articles like the following read as if they are replying to expressions of doubt about the Party’s position:

> It does matter to the workers whether the country in which they carry out their struggle from wage-slavery is a colony or whether it has achieved its complete sovereignty…. Despite all statements to the contrary, Canada is still a colony of Great Britain, a part of the British Empire, one of the great machines for the exploitation of the working class and colored people in the world…. We follow the Leninist policy of demanding the complete self-determination and independence of the colonial and semi-colonial peoples within the British Empire. Only when peoples are free from foreign and capitalist domination can we hope to achieve a true and greater federation of all peoples on the basis of socialist fraternity and equality. These are the motives which actuate the Party in emphasizing the constitutional issue, which we interpret as something more than the mere prerogatives of the Governor-General. Canada, at the present time, is one of the weak links in the chain of the Empire, that is, of capitalist imperialism. Both in the interests of our fight against imperialism and our struggle against capitalism, it is necessary that we take a clear-cut stand in favour of the independence of this country. (“Constitutional Issue Again”, The Worker, August 28, 1926)

The election of Mackenzie King and the Liberals was described in the September 25, 1926 issue of The Worker, as “a stunning blow to the interests of British imperialism” (quoted in Angus, 1981, 170). The CPC had not urged a vote for King. However, since the Party had made it abundantly clear that British imperialism was the main enemy of Canadian workers, it is hard to escape the inference that workers would have been fully justified in voting Liberal. This would have meant they were offering support to a bourgeois party, but it would have been logical to take the opportunity to strike a blow against the main enemy, British imperialism. This conclusion, and its premise that Canada was a ‘colony’ or ‘semi-colony’, are almost exactly opposite that defended by the Party two years before.

In the months following the 1926 election there was relatively little printed in The Worker regarding the constitutional issue. For their part, the Comintern continued to promote actively the independence policy. A letter to CPC from the Anglo-American Secretariate in Moscow reflected a discussion of this issue at the 7th Enlarged Plenum of the ECCI in January 1927:
The task of the Communist Party of Canada in relation to the struggle for Canadian independence is exceedingly important in the fight against British and American imperialism. The characteristic features of the recent economic development of Canada are the rapid penetration of Canada by United States capital, the relative weakening of the British capital invested in Canada, and the rapid growth of American industry, the consolidation of the economic and political position of the national bourgeoisie of Canada, proceed parallel with the weakening of British imperialism and the menacing growth of the economic and political influence of US imperialism on Canada. The conflict of interest between British and American imperialism in Canada in its turn also helps to strengthen the position of the Canadian bourgeoisie. ("Letter to CEC of CPC, Feb. 20, 1927", CF, 263-6)

To concretize the perspective, the Comintern proposed that the CPC organize a "national independence conference" of unions, the Canadian Labour Party, and other working class and farmer organizations, to put forward the following positions:

1) repudiation of the British North America Act by the Trade Unions and the Labour Party, 2) call on Parliament to repudiate the British North America Act and proclaim the independence of Canada; 3) to abolish the Senate and the Governor Generalship; 4) to convene a Constituent Assembly which shall draw up the fundamental laws of the independent Canadian republic; 5) the immediate announcement of refusal to participate in the imperialist military adventures undertaken by Great Britain; 6) struggle against the attempt of the dominant class of the United States to annex or to subordinate Canada politically or economically to American imperialism. (Ibid.)

While the Comintern noted that neither of the bourgeois parties were prepared to fight for complete independence, it argued that sooner or later they would be forced to decide for or against independence: The letter stated: "The inevitability of this development must be exploited so as to bring the largest forces possible on the side of Canadian independence". Of course, in doing so, "...the Communist Party must, under no circumstances, abandon its own class slogans or fail to make clear that while supporting the movement for national independence, our aim is not a bourgeois state, but a workers and farmers’ republic." (Ibid.)

3.3.3 Trade union autonomy and unity

There is no indication that the CPC tried to organize the kind of "national independence conference" proposed by Moscow. However, an area where the party was very active was the trade union movement, and the independence perspective had an important effect on the CPC’s intervention in trade union politics. The early CPC’s trade union policy was based on the perspective of building a left wing within the existing unions on a class struggle program. This took the organizational form of building the Trade Union Education League (TUEL), an organization that regrouped militant unionists from both Canada and the United States. The TUEL advocated industrial rather than craft unions and support for local Labour Parties. It’s purpose was to unite rank and file unionists who were “fighting for militant leadership, against the passive and reformist bureaucracy” (Angus 1981, 172).
In other words, the policy of the CPC was to build a left wing within the existing unions in order to transform them, not to build rival organizations that would isolate left-wing workers from the majority of organized workers in the country. Many existing unions in Canada were affiliated to US-based ‘International’ unions in the American Federation of Labor (AFL). The CPC initial policy was that, in cases where workers in Canada were unhappy with their US-based leaderships, it was generally better to ‘stay and fight’ than to split off and form small, isolated Canadian unions. In the CPC’s view, “the fate of the Canadian left wing is entirely bound up with that of the United States. National autonomy is an illusion; international unity the need”. (quoted in Ibid., 172)

In 1924, the CPC adjusted this approach to the issue of autonomy. The editorial in the May 17, 1924, The Worker, now motivated autonomy on this basis:

The Canadian “ends” of the Internationals must be given complete economic and political autonomy in Canadian affairs. We have our “own” injunctions, laws, thugs and troops to cope with....The movement for Canadian autonomy is a movement within the International unions. It starts out from the premise that national secession is bad. But the A.F. of L. must recognize the Canada is no mere state of the American Union whose workers form a State federation....The trade unions in this country recognize the importance of international affiliation. But they can no longer be held in tutelage. (quoted in Angus, 1981, 173).

As Angus notes, this position was not nationalist; rather, it aimed to strengthen the capacity of the Trades and Labour Congress to mobilize all unions within Canada. The resolution outlining the CPC approach argued that:

The power to initiate action and to extend and lead the class struggle within the confines of Canada, as well as to levy assessments for the assistance of affiliated organizations on strike, would make the Trades Congress a real center for Canadian unionism and by rallying our small locals for united struggles, would completely change the face of Canadian trade union movement. (quoted in Ibid.)

However, when the CPC adopted the perspective of state independence for Canada, it soon followed that Canadian unions needed more than autonomy; they too should become independent. In 1926 the CPC decided to support a new union central in Canada promoted by A.R. Mosher of the Canadian Brotherhood of Railway Employees, a union that had been excluded from the Canadian Trades and Labor Congress (TLC) over jurisdictional disputes. The first clause of the preamble to the constitution of the new union central, the All Canadian Confederation of Labor (ACCL), declared that, “[T]he Canadian labor movement must be freed from the reactionary influence of United States controlled unions.” (quoted in Angus, 174)

While the CPC’s official policy was that ACCL should work towards unity with the TLC, this was contrary to the whole logic of the new union central, as is evident from the above preamble. Mosher’s attitude to the TLC was “purely nationalist and secessionist: he wanted to destroy it” (quoted in Angus, 1980, 175). Mosher argued that trade union unity would only come about with the destruction of the TLC:

Reactionary craft union leaders will disappear like snow before midsummer sun, when contributions in fees and dues cease flowing their direction. For the workers
to continue to pay into organizations which are not only useless, but harmful, is like feeding fuel to the flame we wish to extinguish. (quoted in Ibid., 175-76)

For the CPC, the attractive feature of the ACCL was that it was willing to admit unions where the CPC held influence, and to work with the Russian trade union movement at the international level. Despite the fact that the ACCL clearly intended to split unions in the TLC, building this alternative union central became a major focus of the Party’s efforts in the trade union field. One consequence was that the work of the TUEL within the main unions in Canada suffered. Tim Buck, the head of the TUEL in Canada admitted that by 1928 the organization was “virtually nonexistent as a leading and organizing center” (quoted in Angus, 1982, 176).

There were other reasons for the decline in the TUEL, but it is clear that the project of building a left wing within the existing unions was partly sacrificed to the party’s new ‘anti-imperialist’ stance. The CPC had previously distinguished between the leaders of unions and the unions themselves, but at a 1926 meeting of the ECCI, Party leaders Tim Buck and Mathew Popowitch referred to the AFL as a “tool of American imperialism” (“Minutes of the CEC, March 14, 1926” (CF, Reel 273-6). Instead of the goal being national autonomy for unions in Canada, the autonomy movement was “visualized as the transitional organizational steps to complete independence” (Angus, 1982, 173, quoting a 1927 CPC Convention report).

It is hardly surprising that this position was opposed by some other parties in the Comintern (especially the US Communist Party), or that they failed to connect it to the larger policy of state independence. For example, a March 1926 meeting of the CPC’s Central Executive Committee (CEC) discussed a report on the “Resolution on Canadian Question” at the Red International of Labor Unions (RILU) in Moscow. The report was presented by Foster, the TUEL leader and Trade Union Secretary of the US Communist Party. Foster described the need for a single trade union center in Canada to unite unions against local, provincial and federal governments, and to cooperate with American trade unions. He noted that current AFL positions precluded this by holding the “purely imperialist position” that Canadian unions were merely locals of American unions. However, he also strongly opposed the splitting away of Canadian unions as completely incorrect:

It is a purely nationalist program which does not solve the problems confronting Canadian and American unions. It fails to recognize the close economic bonds that exist between Canada and the USA, and the need for close cooperation between the two labor movements. It also divides the Canadian movement against itself. (quoted in “Minutes of the CEC, March 14, 1926”, CF, Reel 273-6)

Foster argued the internationalist solution was for autonomy within the AFL, to allow Canadian unions to be “organized together into Canadian sections and granted sufficient autonomy to enable them to work effectively together, issue their own journals, raise their own funds, and to strike together against the Canadian government and the Canadian capitalist class.” This is the same approach as had been advocated until 1924 or 1925 by the CPC. Foster criticized the formation of a new union central (the ACCL) opposed to the TLC, as the latter still maintained the affiliation of most unions. He argued the new union central would “isolate the militants from the masses”. At the same time, Foster favoured “maintaining the closest possible contact with the Canadian independent unions...” (Ibid.).
It is clear that the Comintern supported the CPC’s new policy, given that RILU Executive members Lovosky and Stum opposed Foster’s report. According to Lovosky, Foster’s argument implied that since the US and Mexico also had close economic connections, Mexican workers should join US-based ‘International’ unions rather than organizing a Mexican trade union movement.\(^9\) The RILU meeting voted to amend Foster’s report and advocate the creation of a Canadian labour central, leading Foster to vote against the report. The minutes of the CPC meeting that discussed the RILU report also record that the issue was not considered settled: “Comrades must not take this resolution as the final decision.” (“Minutes of the CEC, March 14, 1926”, CF Reel 273-6)

An article in the May 29, 1926 The Worker described this debate, and called for an all-embracing trade union center in Canada, while also arguing against attempts to create “ideal dual unions” as long as the main masses were in the so-called internationals. However, it went on to claim that, “the onus is on the reactionary forces who strenuously oppose this demand” (for autonomy). Since this had always been the case, the article was, in fact, arguing that a split from the AFL was now politically justified. It stated that:

> The Canadian workers have nothing to fear from a complete break at the borders so long as the break means the maintenance of at least that degree of organization already existing and which holds the promise for a steady increase in the ranks of the organized workers.

These conditions were simply not on the agenda. If they had been, autonomy would not have been an issue.\(^9\)

A similar challenge to the CPC position took place at an ECCI meeting in Moscow in late 1926. In his report of this meeting to the 5\(^{th}\) convention of the CPC in February of 1927, CPC delegate Popowitch reported that:

> We found opposition here [in the American, (i.e. North American) Secretariate] not only to our Trade Union policy, but to our struggle for Canadian independence. Comrade Browder, one of the representatives of our sister party in the US, and one of the most stubborn and serious opponents of our Party’s policy argued that Canadian independence is not fundamental; that we have many illusions regarding the development of Canadian nationalism which cannot be compared with nationalism of Russia, China or even Australia. He stated that Canadian nationalism violates the basic economic geography; that Canadian nationalism is merely a product of the struggle between two imperialisms -- that of Great Britain on the one side and the United States on the other; that it is only valuable as a force that makes for the disintegration of the British Empire. Comrade Browder does not think that the perspective justifies our National Trade Union Policy. The slogan of the Independence of the Canadian Trade Union Movement would be valuable only if we would use it as a slogan within the Trades and Labour Congress and combine it with consistent action against splits. He was in favour of working for the development of the independence of the Canadian Trade Union movement only through the Trades and Labour Congress. (“Proceedings of the Fifth Convention of the Communist Party of Canada”, CF Reel 273-7)
Popwitch also noted that some prominent delegates from other countries, like Roy and Murphy were also opposed. He claimed that, “[D]uring the discussion we succeeded in convincing practically all the comrades previously mentioned as to the correctness of the policy of our Party”. However, his own description of these delegate’s comments at the end of the discussion indicates they retained serious reservations about the CPC policy. (“Proceedings of the Fifth Convention of the Communist Party of Canada”, CF Reel 273-7)

An example of the application of the CPC policy on trade union autonomy was the party’s response to the struggle between the District 18 (BC & Alberta) of the United Mine Workers Union (UMW) and the UMW International President, J.L. Lewis. When Lewis undemocratically revoked the District 18 UMA charter, the CPC supported the formation of a new union, the Mine Workers Union of Canada. In a July 18, 1925 article in The Worker, the Party’s CEC argued that this step was justified because the UMW had “taken on the character of a company union”. It claimed, “…the policy today remains as before to fight for the unity of the trade union movement”. However, the UMW was not more reactionary than it had been in earlier periods when the CPC had rejected this logic. Penner (1988, 83) describes the CPC’s position in this case as an “indisputable breach of Lenin’s advice against dual unionism”.

The change in the CPC’s union policy is particularly evident when compared to the earlier campaign by the CPC against the temptation to respond in the same way, when the District 26 charter in Nova Scotia was revoked in 1923. International UMW President J.L. Lewis had taken this action when the District refused to bow to his opposition to the District’s militant strike strategy, and challenged his ban on affiliation with the Red International of Trade Unions. While there was considerable support for the creation of a new, militant union among some locals of the UMW, the CPC had argued strongly against secession. The headline in an October 10, 1923 The Worker article read: “A Split in District 26 Would Play Into the Hands of Miners’ Enemies--The Corporation and Czar Lewis” (quoted in Angus, 1982, 126).

Angus argues that the party’s refusal to take Lewis’ bait was proven correct. Instead of allowing Lewis to isolate the left wing in a separate union, the locals that regrouped the militant rank and file workers were preserved within the UMW. Lewis was eventually forced to return the District 26 charter, and in the subsequent union elections, every member of the left-wing slate was elected to office in the UMW. Lewis did disallow the previous District 26 Secretary-Treasurer and CPC member J.B. McLaughlan from standing for office. However, instead of insisting on making his personal position the issue, McLaughlan campaigned for the TUEL-selected left slate. The result of the CPC policy was a stronger union and greater credibility for the left wing than would have been possible if Lewis had succeeded in driving his political rivals from the UMW.

3.3.4 A shift in the motivation for independence
When the CPC first adopted the perspective of independence in 1925, the demand was expressed primarily in terms of the political implications of colonial status, and aimed at Britain. However, it also noted that US economic influence in Canada was growing. An editorial entitled “We become Pan-Americans” in The Worker on January 2, 1926 noted that total US investment in Canada in 1923 now exceeded the British total. It reported that, according to a 1925 Toronto
Financial Post survey, British investments in Canada at $1,860 million in 1918 and $1,996 million in 1923, an increase of 7%. In the same period, US investments rose from $477 million to $2,478 million, i.e. fivefold. British investments were 77% of total foreign investments in 1918 and 42% in 1923. The US share rose from 17% to 52% of the total. In 1913, $277.5 million in Canadian bonds had been sold in Britain and $45.6 million in Canada. In 1924, $239.5 million in bonds were sold in the US but only $3.6 million in Britain (no total was given for Canada).

In addition to emphasizing the growing US role in Canada, The Worker noted that Canada was assuming a kind of “auxiliary” role on behalf of the United States in the rest of the Americas: This economic penetration has its political effect on our Canadian bourgeoisie. The appearance of a Canadian delegate at the Pan-American Congress is a political result of the growing American control of Canada. Pan-Americanism is the dictatorship of Wall Street. It is the further extension of the Monroe Doctrine.... Inside the Pan-American Union, the Canadian bourgeoisie will play the honorable role of bell-hops of American Imperialism. The Yankees will condescendingly admit the Canadians to the status of “white men” and play them off against the Latin Americans, giving the United States the semblance of greater support. (“We become Pan-Americans”, The Worker, January 2, 1926)

This article quotes a US newspaper to dispel any doubts that “the US has brought the Dominion over to strengthen the Imperialist domination of Latin America by giving the Canadian capitalist a share in the spoils”. The New York World newspaper stated:

It is precisely in the political field that the United States has the greatest reason to welcome Canadian entrance into Pan-American affairs....We can never urge our special point of view without incurring a suspicion of “selfishness”. Frequently we need a supporting voice from a nation which is not like Cuba, obviously under our influence by the American representatives, at points where a little Canadian advice and assistance might have meant success...Canada’s investments in central and South America are large; her trade there is growing. The sooner she becomes a full member of the Pan-American Union, the better for all parts of the hemisphere. (Ibid.)

The growing importance of the US in Canada became an alternative motivation for the independence demand, especially as questions were raised in the party about whether the Canadian bourgeoisie was really striving for independence from Britain. Both of these points were raised in a document circulated within the party in 1926, “History and Present Economic Background for the Struggle for Canada”. It was written by Stewart Smith, the 18 year old Secretary of the Young Communist League, and member of the CPC Political Bureau since he was 16. Smith attempted to present a Marxist analysis of Canadian history, one element of which was an understanding of the 1837-1838 ‘Rebellion’ as Canada’s bourgeois revolution. In his view, the national bourgeoisie had played out their progressive historical role more than half a century before. This naturally placed in question the CPC’s current characterization of their colonial status relative to Britain, and so the motivation for the independence demand.

Smith instead emphasized the economic penetration of Canada by US imperialism. He noted that American investments in Canada now totaled $2.5 billion compared to the British total of $2 billion. Smith quoted F.S. Chalmer’s “American Capital in Canada”: 

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The US owns one-third of all the industries in Canada, and one third of all the producing mines; it owns a large part of the lumber resources not vested in the Crown, and has extensive interests besides in Canadian water power, real estate and others. Investors in the United States hold besides, one third of all municipal debentures, and are developing increasing interest in the Dominion government bonds. (quoted in “History and Economic Background of the Struggle for Canada”, CF Reel 273-5)

Smith argued: “The evidence is thus complete. Not only has American capital, as such, much more strength in Canada, but American capital is for the most part in control of the so-called Canadian capital...in direct opposition to this, stand the interest of British capitalism and British Capital.” (Ibid.) As Penner (1977, 90) notes, Smith was “suggesting...in very tentative terms, that there was a growing clash in Canada between American and British capital and vicariously between sections of the Canadian bourgeoisie which are tied to either great power.”

Smith did not provide any real evidence for his assertion that Canadian capital was “for the most part” under US control. In any case, however, his description of a past rather than future progressive role for the Canadian bourgeoisie, and his emphasis on the weight of US capital relative to both Canadian and British pointed in a different direction than that currently advanced by the Party. While independence continued to figure in Smith’s perspectives, he seemed to view it mainly as an opportunity for the working class to benefit from a divided Canadian bourgeoisie:

The Golden Chains of empire are broken. The master class is divided according to the economic interests [of the UK and the US]. The only class that can have unity is the proletariat, the workers and farmers. And these same economic forces that divided the master class will unite and cement the forces of the workers and farmers in the struggle for Canadian independence, and the Workers and Farmers Republic of Canada. (Ibid.)

A related argument was that, instead of Mackenzie King and the Liberal Party representing a progressive Canadian bourgeoisie struggling against British imperialism, they were the section of Canadian capital that was allied with US imperialism against the Conservatives and British imperialism. This is also how a CPC representative named Bosse characterized the situation in a 1926 report in Moscow. Bosse argued that the Liberals represented the petit bourgeoisie (farmers) and American capital. In contrast,

...the Conservative Party is the party of imperialism, British capitalism in Canada, the big industries, the Canadian Pacific Railroad (CPR), BESCO, etc. It represents the banks, railways, and older industries generally, whereas American penetration has been chiefly in newer fields such as hydro-electric power, oil, gold, newsprint, automobiles, mining, etc. (“Economic Background of Canadian election campaign, August 26, 1926”, CF Reel 273-5).

The Report notes that, “The significance of American penetration into Canada stands out in bolder relief when we realize how thoroughly integrated and highly concentrated finance capital is in the United States.” It describes a “picture of an entire hemisphere dominated by American finance capital.” An appendix to this report titled “American Penetration into Canada” cited the growth in sales of Canadian bonds in the US, the rise of US-owned branch plants in Canada, and the increasing “exploitation of Canadian resources” by US capital. (Ibid.)
The CPC’s characterization of a progressive national bourgeoisie was also placed in question when King followed the British lead and broke off diplomatic relations with the USSR in mid-1927. A special statement by the CPC in The Worker expressed the “deepest disappointment” with King’s action. It argued that King had proven Canada was still a colony, that, “this country is still at the mercy of what the British Foreign Office decides.” (The Worker, June 11, 1927, cited in Angus, 1982, 170).

Angus (1982, 170) notes that, following the setbacks to the policies of Stalin’s Comintern in Britain (collaboration with the misleaders of the 1926 General Strike, the break in diplomatic relations with the USSR), and China (the massacre of Chinese Communists by their former KMT allies), Moscow declared that the central issue of the day was the threat of inter-imperialist war, and a possible attack on the USSR. The ‘Lenin School’ in Moscow had become the conduit for transmitting the latest changes in line from the Comintern leadership to the various national sections: “Articles and documents by Lenin School students were recognized as having a special status, reflecting the policies of the International leadership.” (Ibid.) One of these ‘Lenin students’ was Stewart Smith, and his article titled, “The Danger of War and the Struggle for Real Canadian Independence” (The Worker, Sept. 17, 1927) articulated the new approach, and drew out its implications for independence. As Angus (1982, 171) writes, “The alliance with the progressive national bourgeoisie was dropped for Canada, as it had been for China. Now the independence struggle would serve a new end -- the struggle against the danger of war.”

Smith argued that Prime Minister King had not acted on promises regarding Canadian autonomy or Senate reform. In his opinion, this meant that, “any illusions that the liberal politicians of the Dominions may have created among the workers as to the revolutionary character of their words on ‘autonomy’, ‘equal status’, etc., have now been finally destroyed.” He also repeated his 1926 argument that the “revolutionary role” of the Canadian bourgeoisie had been enacted before Confederation (i.e., in the 1837-38 Rebellions). Since then, it had enjoyed an “imperialist partnership” with Britain: “From the revolutionary class, struggling for a constitutional government, the bourgeoisie has become reactionary and imperialist.” Further, “recent events” (in other words, the break with the USSR) proved that the Dominion bourgeoisies were incapable of “leading a struggle for separation from the Empire, non-participation in foreign wars, and the establishment of a republican government”. King’s policies implicated Canada in the British war on China and the war threat against the Soviet Union. Only the working class had a clear interest in independence. Only it could form a “completely independent government” that would rely on alliances with working classes in Britain and the US to resist the British and American imperialist drive for war. Smith concluded: “The struggle against war is synonymous with the struggle for Canadian independence.” (“The Danger of War and the Struggle for Real Canadian Independence”, The Worker, Sept 17, 1927)

A couple of weeks after this article, the CPC leadership discussed the need to revise formally the party’s previous approach to independence. The minutes of the CPC Political Committee minutes report a discussion under the heading “Canada and imperialism”:

The Secretary explained that the Secretariat thought it advisable to review the question of our whole propaganda, slogans and policy regarding this question for a general discussion at the CEC meeting. Comrade Spector stated this question was bound up with the War Danger, and Canada’s place in relation to this. There
had been two important conferences of recent date, namely the British Imperial
Conference and the League of Nations. At the latter, Canada had been elected to a
non-permanent seat. There had been some informal discussion several times by
the members of the Secretariate on this question. This question had also been
raised in the letters from Comrade Stewart Smith and while Comrade Browder
was in the city. Comrade McDonald and he had discussed this matter with
Browder. As Comrade McDonald states, the Secretariate believed that we should
review our stand in this action. It was finally decided that a commission of three
be elected, to study this question and draft thesis for future submission. Comrades
Spector, Buck and McDonald were elected to this commission. ("Minutes of the
Political Committee of the CPC, Oct. 4, 1927", CF Reel 273-7)

On January 12, 1928, Tim Buck presented a report to the National Secretariat for America and
Canada in Moscow that reflected the evolution of the CPC position. As Buck described it:

The question is, will the continued economic development of Canada in the
present direction bring about a state where it will be incompatible with that
development or remain within the confines of the Empire, and to cause an actual
secession, in which the bourgeoisie would play a revolutionary role? ("Report of
the CPC for the period of 1927", CF Reel 276-6).

Buck’s conclusion was that “there is no contradiction existing between the industrial
development of Canada still further and that of the remaining of Canada within the bound of the
Empire.” If, so, there was little reason to believe that the Canadian bourgeoisie had any interest
in independence. This clearly marked a shift in the CPC’s motivation for the independence
demand.

Buck claimed that the Party’s general position was that independence could only be brought
about under a workers’ and farmers’ government, and that it was “…generally held by our party
that the bourgeoisie cannot play a revolutionary role and we are not in the period of bourgeois
revolution.” This was not a very accurate description of the past views articulated in The
Worker, but Buck did admit the CPC had been mistaken on some points. He described the
independence slogan as “very ambiguous and vague” regarding what form of government would
arise, because it did not “point out to the workers the necessity of revolutionary action”, and
because it was “apt to lead to democratic illusions among the proletariat.” As an example of the
erroneous approach taken in the past, he cited an article by an author with initials MLJ on June
11, 1927 that referred to Canada as a colony, and stated, that, “[W]hat is much worse however
is the false perspective MLJ gives that the Canadian bourgeoisie can play the role of
revolutionary colonial bourgeoisie as the case of China.” (Ibid.)

Buck reported that what brought the problems with the CPC’s previous approach to a head was
the Party’s response to Canada breaking diplomatic relations with the USSR. He argued that,
 “[A]t the time the party’s position was absolutely false” in linking King’s policy with Canada’s
colonial status and a lack of sincerity in asserting Canada’s own national status….The party must
conduct a vigorous campaign to offset its previous deviation on this question and must
completely and immediately review its former position.” (Ibid.)
Having repudiated the CPC’s former claim that the Canadian bourgeoisie had an economic interest in outright independence, Buck then outlined the new motivation for this demand. He argued that, “With the development of the Anglo-American conflict...contradictions within the Canadian bourgeoisie would be greatly intensified and in all probability a revolutionary situation would arise in Canada.” Like Smith, this motivation for independence was that it offered a way for workers to take advantage of the inter-imperialist rivalry between Britain and the US.

The CPC’s re-thinking of its previous approach is also evident in a major article by Maurice Spector in the January and February issues of the Party’s new journal, The Canadian Labour Monthly, titled “Canada, the Empire and the War Danger” (Spector, 1928). Instead of starting with Canada’s constitutional relation with Britain, Spector began with Lenin’s analysis of imperialism and the roots of modern wars in imperialist competition for markets. Because of her declining position, Britain had adopted the most aggressive attitude, including against the USSR, and it sought to mobilize the rest of its Empire in support. The “real colonies” produced essential raw materials for war and industry, and were kept in the so-called Commonwealth of Nations by force.

As in the early years of the CPC, Spector underlined the distinction between this group and the “‘white’ Dominions” like Canada. No longer “merely producers of raw materials to be exchanged for British manufactured goods”, Canada had developed its own industry, and the United States had taken over from Britain as the “great provider of capital.” Spector reported than since the turn of the century Canadian exports of manufactured goods had increased from $99 million to $695 million, and that Canada now exported capital, estimated to total $70 million. On the basis of this development, Canada and the other Dominions had pushed for and won a degree of national autonomy, but Spector argued that they had now gone as far in their demands along these lines as they “desired and dared”. He argued that,

...for an independent tariff policy, a free hand in the exploitation of workers at home, commercial treaty-making power, diplomatic representation and a seat of the League of Nations, the Dominion bourgeoisie do not need secession.

In Spector’s view, the partnership with Britain that Mackenzie King and the other Dominion leaders had negotiated at the 1926 Imperial Conference permitted then to “take all the share they can get in the exploitation of colored colonies” without preventing them from continuing to “protect their industries against both Great Britain and the United States”. (Ibid.)

In trying to define Canada’s place relative to Britain and the United States, Spector cited Lenin’s comments about transitional forms within world imperialism:

...it is indispensable to note that finance capital and its international policy, which resolves itself into the struggle of the great powers for the economic and political division of the world, gives rise to a number of transitional forms of state dependence...the division into two principle groups of countries -- possessors of colonies and colonized areas -- is not sufficient to characterize the period. It is necessary to take into account the various kinds of dependence of countries which are politically independent in form but are surrounded in reality by a fine network of financial and diplomatic bonds. (Lenin, in Imperialism, the Highest Stage of Capitalism, quoted by Spector, 1928, 43)
Since Lenin had referred to Portugal (which had colonies of its own but which Lenin described as a protectorate of Great Britain) as an example of a transitional form of state dependence, Spector suggested the same was true of the Dominions. In other words, Canada was part of the imperialist chain. However, it is significant that Spector declined to characterize Canada as an imperialist power in its own right. In fact, he even suggested that Canada was nationally exploited:

The annual interest that must be provided for foreign indebtedness in Canada has been estimated at about $300,000,000 per annum (Round Table, September 1927, p. 809). In the last analysis it is from the intenser exploitation of the workers that these sums will come. (Spector, 1928, 43).

The articles' conclusion steps away from posing independence as a national struggle primarily aimed against British colonialism:

The fight of the workers and farmers in Canada must therefore be aimed at the Canadian bourgeoisie as joint partner of British imperialism. But there is another imperialism that is penetrating Canada, seeking to strengthen its financial and diplomatic bonds, and that is American imperialism with its ‘fine’ record in Latin America. The workers and farmers of this country must oppose American imperialism no less than British....We must link up the struggle against the war danger with the struggle against the capitalist government of this country and fight to obtain the real independence of Canada in a Workers and Farmers government allied with the workers of the United States and Great Britain. (Ibid)

As Angus (1982, 171) notes, this article, “totally abandoned the 1925 argument that the Canadian bourgeoisie had some objective interest in struggling for state independence from Britain. It returned, for all practical purposes to the ‘triple master class’ conception of 1924”.

Like Smith and Buck, Spector motivated independence based on its role in opposing imperialist war.

For their part, a “Resolution on the Canadian Question” by the Anglo-American Secretariate in Moscow in 1928 made it clear that the Comintern also continued to support the independence demand, “even in the case of the victory of this movement meaning for the time being nothing but domination by the Canadian bourgeoisie”:

Thus, economically Canada is becoming more and more a component part of the US, while politically it is still a colony of the British Empire. This means that the two most powerful imperialist systems of the world play battledore and shuttlecock with the people of Canada.

...At present the proletariat of Canada is economically exploited and politically oppressed, not only by the Canadian but also by the British bourgeoisie and at the same time, its being more and more exploited by American capitalism. It is quite apparent that under such conditions, the complete independence of Canada is in the interest of the Canadian working class. It is in the interest of the proletariat as well as of the broad state of the farmer population, that Canada should no longer be a colony of the British Empire, and it would be against the interests of the working class of Canada if American imperialism were to succeed in
transforming Canada into its colony... The CPC should make the most of the question of independence.

... The Communist Party of Canada must support the already existing independence movement... should understand that the question of Canadian independence is the central political question of the Dominion and should consequently be one of the central questions of the entire political strategy of our Party. In the struggle for Canadian independence, Communists must also fight against the imperialism of the USA, but they must not forget that at the present junction the CHIEF ENEMY IS BRITISH IMPERIALISM, which holds the entire government apparatus of Canada in its hands and which does not only represent the [illegible] of oppression in the future, but also oppression and exploitation in the present.

Communists should have a clear idea of the revolutionary importance of the independence movement, even in the case of the victory of this movement meaning for the time being nothing but domination by the Canadian bourgeoisie.... Communists should issue at the same time the slogan of the Constituent Assembly and carry on extensive propaganda on behalf of the idea of the republic with a Workers and Farmers Government. (“Resolution on the Canadian Question, April 25, 1928”, CF Reel 271-3)

3.3.5 Summary
In summary, for a period of several years in the mid-1920s the CPC advanced a Canadian left-nationalist political strategy. The initial premise of its support for political independence was that Canada was still British colony, and that the Canadian bourgeoisie had a real interest in breaking with the British Empire. In addition, the independence demand was seen as a way of opposing the growing influence of US imperialism, manifested by the fact that the scale of US investment in Canada now exceeded that of Britain.

In the second stage, the independence policy served a different goal, namely opposition to the perceived threat of inter-imperialist war. While the domestic political logic of this approach was never very clear, it was often associated with the perception that the Canadian bourgeoisie was divided between factions that were allied to either Britain or the US. By early 1928, the CPC had begun to re-assert the pre-1925 distinction between Canada and the non-Dominion colonies of the Empire. However, neither the CPC nor the Comintern considered Canada an imperialist country, and both continued to support Canadian independence.

3.4 Canadian imperialism (1928-1931)
Between 1928 and 1931 the issue of Canada’s political-economic status and the demand for independence was one of the most frequently discussed points within the CPC and by the Comintern officials responsible for the Canadian section. I will describe how they came to characterize Canada as imperialist and to repudiate support for Canadian independence.

The discussion in this period was probably even more complicated than before by the shifting international politics of the Comintern. In general, this was a period when the Comintern adopted ultra-left policies, an approach that often results in an exaggeratedly combatative attitude
towards the bourgeoisie along with an unwillingness to cooperate with other forces in the workers movement.\textsuperscript{103} There is little doubt that this ultra-left approach contributed to the Comintern's support for characterizations of the Canadian bourgeoisie as imperialist. However, the discussion in the CPC in this period also featured more references to actual data about the Canadian economy than in the previous stage, and this empirical evidence is what is most interesting for the purposes of this study.

3.4.1 The general course of the discussion
There were many twists and turns during this period, so it may help to first sketch the general course it followed, and to identify the major actors. As noted above, by late 1927, the CPC had already begun to abandon the 1925 argument that Canada was a colony. During the summer of 1928, CPC leaders and Comintern officials in Moscow agreed it was necessary to give greater weight than in the past to the relative strength and privileged position of the Canadian bourgeoisie.\textsuperscript{104} However, they also continued to emphasize the influence of US and British imperialism in Canada, and supported the independence demand for another year or so.

CPC members attending the 'Lenin School' in Moscow were active in articulating the Secretariate's policy on these points, and, upon return to Canada, promoting the Comintern's criticisms of the CPC leadership.\textsuperscript{105} One of these students, Leslie Morris (sometimes under the name 'Porter'), also began to argue that Canada was an imperialist country in its own right, and to question the Party's support of independence.

The Buck-Smith leadership of the CPC resisted this conclusion, which was, however, eventually endorsed in October 1929 by the Anglo-American Secretariate. Despite the disapproval of the Comintern, Tim Buck, who had taken over from McDonald as the central leader of the CPC, continued to assert that Canada was not an imperialist country in its own right, citing as counterarguments the extent of US economic control and Canada's specialization in resource products. He officially accepted the new position at a CPC Plenum in 1931, and this seems to have more or less concluded the debate on these issues in this period of the Party's history.

3.4.2 Dominion status and the bourgeois revolution in Canada
As in earlier periods, one point in the discussion was Dominion status and the related question of Canada's bourgeois-democratic revolution. As I noted above, Spector's article in January 1928 had returned to the 1923 distinction between the Dominions and other colonies. The "Colonial Resolution" at the Comintern's Sixth Congress later that year in Moscow reinforced this point:

\begin{quote}
It is necessary to distinguish between those colonies which have served the capitalist countries as colonizing regions for the surplus population, and which in this way have become extensions of the capitalist system (Australia, Canada, etc.) and those which are exploited by the imperialists primarily as markets for their commodities, as sources of raw materials, and as spheres for capital investment. Colonies of the first type become Dominions, that is member of the given imperialist system with equal or nearly equal rights (quoted by Penner, 1977, 91-92, from Degras, 1971, 534)
\end{quote}

Later that year, the CPC officially adopted this approach in the "Theses" on Canada prepared for the upcoming convention of the party.\textsuperscript{106} It noted that the Sixth Congress resolution,
...divides the countries of the world schematically into three categories [presumably imperialists, semi-colonial countries, and colonial colonies] in accordance with the path of development of the proletarian revolution under the three different conditions of these countries. Canada must be placed in the first group” [i.e. with the imperialists]. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C.P. of C.”, The Worker, Dec. 22 and 29, 1928)

It is clear that the strategic framework in Canada was again considered similar to that in other advanced capitalist countries. The “Theses” also rooted this approach in a similar interpretation of Canadian history as Stewart Smith had advanced two years before, namely that Canada’s bourgeois revolution had occurred in 1837-38. The “Theses” stated that this “bourgeois revolution” facilitated capitalist agriculture by “abolishing feudal tenure in land”, it “freed trade from the control of seigniories and the Church”, and it “laid the basis for Responsible Government and political unity” [Confederation], thus permitting cross-country railroads and development of the home market.107 Accordingly:

The Canadian bourgeoisie is not an oppressed bourgeoisie. The Canadian government is a national government. For that reason the national question does not exist for the Canadian bourgeoisie, and has not existed since the bourgeois revolution of Canada, which solved a basic source of the national question, the question of the home market. The bourgeoisie learns nationalism in the struggle for the market. The Canadian bourgeoisie was able to solve this question within the paper constitutional boundaries of the British Empire. Today the Canadian bourgeoisie is going further, and solving the question of its foreign market, also within the bounds of the British Empire. This explains the absence of a national movement in Canada. No basis exists for such a movement. Canada is not in a stage of development from colonial subservience to bourgeois democracy; but from bourgeois democracy to the proletarian revolution. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C.P. of C.” The Worker, Dec. 22 and 29, 1928) 108

3.4.3 Canada’s industrial role
It was generally agreed during this time that Canada’s industrial production and exports also demonstrated the inapplicability of any colonial designation, at least relative to the UK. The 1928 “Theses” underlined the significant growth of Canadian industry during WW1, and how, on this basis, the Canadian bourgeoisie had “entered the world market as an independent factor and [with] independent interests”. (Ibid.) It noted that Canada now exported more manufactured goods than it imported, and that Britain had lost much of its previous advantage in terms of the composition of trade and tariff rates with Canada. Similarly, a 1929 article in The Worker noted that Canada now exported almost twice as much as it imported from the UK, which demonstrated that, “Canada no longer stands in trade relations with Britain as colony to an imperialist country.” (“Some Facts on the Menace of War Between British and American Imperialism”, The Worker, January 26, 1929)

In an article in a June 1929 Comintern journal, Porter (1929a) also underlined the significance of Canada’s expanding industrial base. He reported that the gross production of Canadian industry
rose from $2.5 billion in 1922 to $4 billion, and described Canada's positive trade balance with Britain and the rest of the world as “favourable to Canada”. Porter described Canada as the greatest wheat exporter in the world, emphasizing that this strong agricultural base provided a substantial home market for Canadian industry.109

While Canada was increasingly independent of Britain, the volume and composition of Canada’s trade with the US was sometimes described as demonstrating a growing vulnerability to US imperialism. In contrast to the evolution of Canada’s trade with Britain, the 1928 “Theses” pointed to the high resource content of Canadian exports to the US as indicating that US imperialism was benefiting from expanding trade with Canada. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.”, The Worker, Dec. 22 and 29, 1928). Porter’s article also referred to Canada’s negative trade balance with the US as “favourable to the US”. (Porter, 1929a)

The composition of Canada’s trade was one of the main objections cited by the Buck-Smith leadership of the CPC against a September 1929 letter to the party from Porter and other ‘Lenin’ students claiming that Canada was imperialist.110 Against this claim (and other criticisms of their leadership), the Buck-Smith leadership issued what became known in the Party as the ‘24 Page Letter’, in October 1929.111 It cited data on the raw material component of Canada’s trade to counter the ‘Lenin students’ assertion that Canada had successfully developed from a raw material exporter and agricultural hinterland into a manufacturing exporter. According to the CPC leaders, 70% of Canada’s exports to Britain were still agricultural and 40% of imports were textiles. 50% of exports to the USA were wood and paper, and more than 50% of imports were coal, iron and textiles. It argued that this proportion of raw materials to finished manufactures had not changed much in 25 years. (“Strengthen the Struggle Against the Right Danger (Statement of the Political Committee, Communist Party of Canada) Oct-Nov 1929”, CF Reel 273-9)

The letter also qualified the significance of the industrial development that had occurred in Canada. It referred to the possibility of “sporadic development and the development of individual branches of industries under domination of imperialist monopoly and finance capital, etc.” In other words, the CPC leadership suggested that Canada’s industrialization did not have the kind of generalized and self-sustaining character that implied imperialist status. (Ibid.)

In January 1930, Buck raised similar arguments with Comintern officials in Moscow,112 stating that it is “therefore apparent that there is no sound basis for the claim that Canadian trade has been transformed to that of an exporter of manufactured products.” He also cited the relatively low weight of industry in Canada’s GDP as evidence against the conclusion that Canada was an imperialist country (“Statement on Political Perspectives in Canada”, CF, Reel 273-10).113 At a February 1931 CPC Central Committee, Buck repeated that “while he accepted the general class analysis made by the Comintern [that defined Canada as imperialist] he felt that it overlooked the peculiarities of the Canadian bourgeoisie” (Penner, 1988, 88), in other words, of the kind of dependent relations with the US that he had previously described.
3.4.4 Foreign investment and the relative weight of the domestic bourgeoisie

While there was little disagreement that US investments in Canada had grown to exceed those of the UK, what remained was the issue of the relative size of the holdings of the Canadian bourgeoisie, and the degree to which the Canadian bourgeoisie was divided by alliances with one or other imperialist power.

An article in a 1928 issue of The Canadian Labour Monthly by Mike Buhay (1928a) quoted the US Bureau of Commerce as reporting that US investments in Canada now totaled more than $3 billion, and included more than a thousand branches of US manufacturing plants. This represented one quarter of the US’s total foreign investments. These totals were updated in an article in The Worker by Stewart Smith, who quoted the Financial Post as reporting that British capital investments in Canada now totaled $2.2 billion, while United States investments were now significantly greater than those of Britain, totaling $3.3 billion. British and US investments accounted for 96% of all foreign investment in Canada (“Some Facts on the Menace of War Between British and American Imperialism”, The Worker, January 26, 1929).

Smith also quoted the Financial Post as reporting that the “total national wealth” of Canada was $30.5 billion. He wrote that the US thus owned 10% of Canada’s national wealth and Britain 7.4%. Of course, in some sectors of the economy, the foreign share was greater: Smith states that 19% of investment in railways, industry and finance was American, 13% was British and 66% Canadian. In 1920s, the corresponding ratios had been 17%, 16%, and 64%. Smith concluded the investment data “indicates a strengthening of American and Canadian capital and a relative decline of British capital”. (Ibid.)

A similar conclusion had been reached in the November 1928 “Theses”, although it had placed more stress on the scale of Canadian ownership than on that of foreign ownership. Despite the growth of foreign investment, the “Theses” reported: “The general consensus seems to be that Canadian capital, however, constitutes between 55%-65% of the total and the remainder is in the hand of American and British investors in the proportion of 2 to 1.” (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.”, The Worker, Dec. 22 and 29, 1928).

While the investment data indicated that most capital in Canada was Canadian-owned, some CPC leaders, including Tim Buck, argued that these figures overstated the relative position of the Canadian bourgeoisie. Their main argument was that the capitalist class in Canada was divided into three groups -- Canadian, British and American, with the Canadian bourgeoisie divided between sectors allied with either American or British imperialism. In other words, the proportion of the economy owned by the Canadian bourgeoisie did not really represent the scale of the national bourgeoisie; some of that proportion should be associated with either British or American imperialism. Since it was assumed that an inter-imperialist war between Britain and the US was likely, it was also thought that the divisions in the Canadian bourgeoisie would deepen, further weakening their relative position.

The current divisions in the Canadian bourgeoisie were rooted in earlier Canadian history, according to CPC documents like the 1928 “Theses”. It was argued that in the period initiated by the 1830s repeal of the Corn Laws in Britain, the key issue for capitalism in Canada had been the
struggle by those sectors of capital most interested in developing the home market (railways and manufacturing), against those who would benefit from free trade with the US. It described British capital as being interested in railways and a tariff wall against US manufacturers, while American capital was mainly interested in natural resource and industrial sectors. (Ibid.) In a January 1929 article, Smith also argued that rival corporate groupings in Canada expressed the interests of Britain and the United States:

The conflicting interests of British and American imperialism in Canada find their reflection in antagonisms within the Canadian capitalist class itself. On the one hand, there is the Bank of Montreal group, closely connected with the British Federation of Industries, Baring Bros., Barclay’s Bank, and the British Metal Corporation in England, and the C.P. R. in Canada; the Royal Bank group connected with investments in Mexico and large American electrical and financial corporations; and the Canadian Bank of Commerce grouping in close connection with Lord Melchett (an ally of the Rothschilds) and large Canadian mining interests. (“Some Facts on the Menace of War Between British and American Imperialism”, The Worker, Jan. 26, 1929)115

This description of corporate groupings in Canadian clearly relied on Bartholemew’s articles in The Worker in 1923 and 1924, except that it focused on divisions in the Canadian bourgeoisie to the near exclusion of their common interests. A related argument was that some ‘Canadian’ capital was not really Canadian. The “Theses” pointed out that Canadian capital had often previously been British, and that there was considerable “mixing” of both British and US capital with Canadian capital in ‘Canadian’ enterprises. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.”, The Worker, Dec. 22 and 29, 1928) Smith’s January 1929 article argued that, “there can be no doubt that sections of the Canadian bourgeoisie are economically dependent, and economic dependency brings with it ‘political influence’”. (“Leninism and the Position of Canada”, The Worker, Jan. 26, 1929) This echoed his 1926 claim that “…American capital is for the most part in control of so-called Canadian capital”. (“History and Economic Background of the Struggle in Canada”, CF Reel 273-5)

The Comintern also viewed the Canadian bourgeoisie as divided between two imperialist powers locked in conflict until at least mid-1929. In an April 8, 1929 ‘Closed letter’ to the CPC leadership, the Political Secretariate of the ECCI wrote that:

Canada is today a battleground between British and American imperialism. It is one of the principle theatres of the gigantic world conflict which is the central antagonism inside the imperialist world. Canada has developed a definitely capitalist economy. Formerly its bourgeoisie was a sort of ‘junior partner’ of the British bourgeoisie. The Canadian bourgeoisie is disunited. The economic interest of a part lies with the interests of the American ruling class; the economic interests of the other sections are bound up with those of British imperialism. American capital has been advancing with gigantic strides and drawing under its hegemony increasing sections of the Canadian bourgeoisie. The British bourgeoisie are replying with counter measures, such as increasing capital investments, trade agreements, etc. The approach of war and the sharpening world struggle between the two imperialist giants will bring this antagonism inside the Canadian ruling class to its highest pitch. The country will be torn apart between
movements for supporting American imperialism, supporting British imperialism, and remaining neutral. The party must prepare by raising at the present time the slogans of the struggle against both imperialisms. ("Closed letter to the Central Committee of the Communist Party of Canada, April 8, 1929, from the Political Secretariate of the ECCI, Moscow", CF Reel 273-7)\textsuperscript{1}

I noted above that Leslie Morris and other ‘Lenin students’ sent a letter to the CPC offices in September 1929 criticizing the party leadership on a variety of grounds, including for continuing to support the independence slogan. One reason cited was their disagreement with the CPC leaders’ evaluation of the weight of foreign investment. While the Buck-Smith leadership of the party emphasized the scale of foreign investment and divisions in the Canadian bourgeoisie, the ‘Lenin students’ emphasized that a large majority of capital in country was still Canadian-owned. ("The Present Situation in the Canadian Party and its Politics", dated September 16, 1929, signed by John Porter, Jack Davis and [illegible] Evans, CF Reel 273-8).

In a June article in Communist International, Porter cited the data quoted above, showing that Canadian capitalists controlled 66\% of railways, industries and finance in Canada, compared to 19\% in the US and 13\% in Britain. He argued that the margin of Canadian control “by no means precludes the control of Canadian industries by American and British finance in concrete instances, but at the same time the figures show that the control of Canadian industry and finance is not so ‘colonial’ as is sometimes thought.” (Porter, 1929a, 626)\textsuperscript{17} In an October article in the same journal, Porter wrote that, “the myth that Canada is a ‘colony’ of the Unites States is not borne out by fact, in spite of the tremendous investments by foreign capital within the country.” It was true that foreign investments in Canada totaled $5.7 billion. "\textit{But the total national wealth of Canada is at least five times greater than the total of all foreign investments}" [Emphasis in original]. Porter also argued that, the rate of “native accumulation” was exceeding that of American and British investment. The CPC had previously viewed the Anglo-American conflict as dividing the Canadian bourgeoisie, but Porter argued that the Canadian bourgeoisie was now strong enough to be able to take advantage of this conflict:

This has given rise to a firm bourgeoisie that is motivated, in spite of disunited sections, in the general interests of all its sections. This Liberal bourgeoisie draws now near to American politics, now to British. But at all times it seeks to use the Anglo-American conflict in the general interests of the entire Canadian ruling class. (Porter, 1929b, 945)

In their reply to the ‘Lenin students’, the CPC leadership argued that the one-fifth share of the national wealth held by foreign capital was a “huge” rather than a “small” share, and, that, “far from showing the tremendous strength of Canadian native capital in comparison to foreign capital [it] shows its weakness and subjection to foreign finance capital.” This evaluation was reinforced by claiming that, “native capital is inextricably bound up with the finance capital of the imperialist powers, under conditions of the economic domination of the Canadian economy by the imperialist powers”. In their view, foreign capital was “the preponderating and controlling factor in the Canadian capitalist economy.” Finally, the CPC leadership opposed the claim that the King government represented the Canadian bourgeoisie as a whole. It argued that King now followed a consistent pro-American policy. ("Strengthen the Struggle Against the Right Danger
Tim Buck repeated these arguments when defending the CPC leadership’s letter in Moscow in January of 1930. He also argued that Canadian ownership was often exaggerated by “dummy companies”, citing the example of how the nickel industry, which, while nominally Canadian, was actually controlled in the US (“Statement on Political Perspectives in Canada”, CF Reel 273-10). Penner notes that Buck made similar points at a Central Committee meeting in January 1930, where he stated that foreign investment was the “decisive factor in the productive industries”, and that, “most important industries still tend to pass into United States control when their development reaches a certain point”. Buck cited the visit of J.P. Morgan in 1919 as an example of US influence in Canada – he suggested this is what led the Canadian government “to adopt drastic and ruthless measures” to crush the Winnipeg General Strike (quoted in Penner 1977, 94-95).

A related point on the differences within the Canadian bourgeoisie concerned the relative importance of the conflict between Anglo-American imperialism and the domestic class conflict within Canada. In his October 1929 article, Porter criticized an unnamed CPC leader (very likely Tim Buck) for holding that the Canadian bourgeoisie was “hopelessly disunited”, and so incapable of independent interests, e.g., that its government was not “representative of the bourgeoisie as a whole.” Porter pointed out that, “[T]he starting point for the whole theory is the Anglo-American conflict, in which Canada appears solely as a battleground for conflicting American and British interests; the independent interest of the Canadian Bourgeoisie...are entirely left out.” In his opinion, viewing the bourgeoisie as “hopelessly disunited” and incapable of ruling “except at the behest of one or another of the rival imperialist groups” was tantamount to considering it an oppressed bourgeoisie. (Porter, 1929b, 952) In the vocabulary of the ECCI in its April ‘Closed letter’, this was “only looking at the outer contradictions’ and “ignore[ing] the inner, sharpening contradictions within the Canadian economy.” (“Closed letter to the Central Committee of the Communist Party of Canada, April 8, 1929, from the Political Secretariate of the ECCI, Moscow”, CF Reel 273-7)

Porter had previously expressed similar views while in Moscow. For example, he presented a report on the CPC to the Anglo-American Secretariate on November 28, 1928 that argued: The policy of the King (Liberal) government is to exploit this conflict [between Britain the USA] in the interests of the Canadian bourgeoisie....It cannot be said that King favours one or other governments, but rather pursues his own Canadian bourgeois policy, and one that is fast becoming an imperialist policy in every sense of the word, removing Canada from her former Dominion status. (“Report of the Canadian Communist Party to the Anglo-American Secretariate for the period of July-November 1928, dated November 28”, CF Reel 273-7) 119

Similarly, in an April, 1929 issue of The Worker concerning the issues being discussed before the CPC’s Sixth Convention, Leslie Morris (‘Porter’) complained that the CPC leadership’s approach to the independence demand showed that they failed to understand that “not the American, nor the British imperialists were the main enemy of the Canadian workers, but the Canadian.” He argued the CPC approach “perpetuates the very illusions that it set out to defeat, it still focuses attention on the foreign bourgeoisie and not the home bourgeoisie.”[Emphasis in
To complete his point he cited the significant foreign investment in Belgium: “But for the Belgian party to raise the slogan of independence would be ludicrous.” (“The Party Pre-Convention Discussion, A Contribution”, The Worker, April 27, 1929).

I noted that the ‘Lenin students’ were used by the Comintern to promote the latter’s policies in the Canadian section. A letter from the Political Secretariat of the ECCI to the CPC dated October 3, 1929 finally made it explicit that the Comintern agreed with Porter and other ‘Lenin students’ on the question of independence. It sharply criticized the Buck-Smith leadership for their “mistaken view of the role of the Canadian Bourgeoisie and a gross underestimation of the sharpening inner contradictions within Canada” (“To the Central Committee of the Communist Party of Canada, Oct 3, 1929”, CF, Reel 273-8). When the CPC leadership persisted in defending their views, the Secretariate sent an even more sharply worded letter:

While always bearing in mind the influence of the Anglo-American conflict upon the Canadian bourgeoisie, various sections of which are connected with either British or American imperialism, the Party must under no circumstances base its strategy on this conflict. It is an extremely dangerous mistake to assert that the Canadian bourgeoisie, as a class, has no common class interests, and that in the event of war between Great Britain and the United States the antagonism of interests between the various sections of the Canadian bourgeoisie may lead to civil war within their own ranks. The statement circulated to the membership ‘Strengthen the Struggle against the Right Danger’...contains erroneous assertions to the effect that the Canadian bourgeoisie as a class has no common class interests....The ECCI emphatically condemns the wrong views expressed in the above mentioned statement of the Political Committee. (“To the Central Committee of the Communist Party of Canada. Confidential” [no date], CF, Reel 273-10).

3.4.5 Canadian foreign investment

There was general agreement in this period that the increase in investments abroad by the Canadian bourgeoisie reflected imperialist ambitions. A pre-Convention report in February 1929 noted that Canada had begun to export capital to colonial countries such as Brazil and Mexico. It also stated that, the fact that “Canadian banks have long had interests in foreign imperialist enterprises shows that Canadian finance capital has developed definite imperialist interests.” (“Draft Theses on Situation and Tasks of the Party”, The Worker, February 23, 1929; also in CF Reel 273-9) During the pre-convention discussion of these “Theses”, a party leader from Montreal noted this point in describing the reasons for agreeing with that Canada could no longer be considered a colony:

I must confess that I had my doubts on the correctness of our party’s analysis on the Canadian situation. I see now that I was wrong. Canada can no longer be classed as a colony of Great Britain. The Canadian bourgeoisie has consolidated and strengthened itself since the world war. As an exporting country with large foreign investments it has definite imperialist interests....When we consider that the native bourgeoisie provides over 50% of the total financing of the country, owns over 50% of the industry and 80% of the Dominion, and note the change in attitude of the Canadian bourgeoisie to the British Empire, as indicated by its demands for independent representation to the various international conferences,
the establishment of independent relations with the United States of America, France and Japan, there can be no doubt left as to the correctness of the party policy on the Canadian situation. ("A Contribution from Comrade Margolese (Montreal)", The Worker, March 16, 1929)

However, the Party had not yet concluded that Canada had independent imperialist interests. For example, when noting a growth of Canadian investment in Latin America and trade with Pacific countries, the November 1928 “Theses” had interpreted this in terms of the shift from economic ties with Britain to ties with the US. ("Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.", The Worker, Dec. 22 and 29, 1928) In contrast, Porter and the ‘Lenin students’ argued that Canadian foreign investments increasingly represented independent imperialist interest. Porter (1929a) wrote that the Canadian bourgeoisie’s “financial penetration of Latin America and growing trade interests in the Pacific (Japan, China, etc.) comes into conflict with America and Britain in these areas.” While agreeing that, “the export of Canadian capital to Brazil, Mexico and Cuba” was partly “subscribed as part of the American capital invested in these countries”, he argued that, “[it] also follows independent channels”. And, while the CPC had always emphasized US investment in Canada, Porter noted that Canadian capitalists also held extensive investments of their own in the US. He cited a report from the Times of New York that estimated Canadian investments in the US at $875 million, or one-quarter of US investments in Canada (Porter, 1929b).

In their October 1929 reply to the ‘Lenin students’, the Buck-Smith leadership insisted that Canadian capital was too closely connected to British and US imperialism to pursue its own interests. They wrote that:

With regard to the export of ‘Canadian capital’ to the United States, it is clear that this is nothing but the sucking back by American finance capital of the profits in Canada...some of the profits of American finance capital are re-invested in Latin American countries. It cannot be denied that Canadian capital is ‘mixed up’ in this. But in this respect the Canadian capital acts as a servant of the financial power [the US], and is completely subordinate to it. ("Strengthen the Struggle Against the Right Danger (Statement of the Political Committee, Communist Party of Canada), Oct-Nov 1929”, CF Reel 273-9)

3.4.6 Canadian imperialism and independence

Having reviewed the debate about various aspects of Canada’s status I will now try to relate them more directly to whether or not Canada was described as imperialist and the implications of this status for the independence demand. One of the first clear descriptions of Canada as imperialist in this period was in the August-September 1928 of The Canadian Labour Monthly, and probably reflected the discussion that had occurred at the Comintern’s Sixth Congress in Moscow:

Canada has also definitely entered the imperialist arena. Obviously it will not play a leading position, but without a doubt it will aid British imperialism wherever the Canadian bourgeoisie has interests in common with this imperialism, and on the other hand, Canada will act warily when it comes to British-American conflicts. (Buhay, 1928a, 5)
I also noted above that the November 1928 “Theses” argued that “Canada must be placed in the first group” of countries (the imperialists) into which the Sixth Congress had divided countries in the world. However, as discussed above, the “Theses” also emphasized that the Canadian bourgeoisie was divided between factions allied to either British or US imperialism, i.e. that it was unable to advance independent interests.

Lenin student Leslie Morris (“Porter”) was one of the first in the CPC to articulate the view that Canada was an imperialist country. I noted that his report to the Anglo American Secretariate in November 1928 claimed that Canada “is fast becoming an imperialist policy in every sense of the world, removing Canada from her former Dominion status”. (“Report of the Canadian Communist Party to Anglo-American Secretariate for period of July-November 1928”, Nov. 28, 2928, CF Reel 273-7) In a personal letter, Morris also wrote that Canada “is a developing Imperialist nation, though we will have to prove this with data.” (Letter signed by “Leslie” to “John” in Winnipeg, Moscow, Dec. 21, 1928, CF, Reel 273-7) Tom Bell of the Anglo American Secretariate endorsed this position in a letter to the CPC:

Canada appears upon the international stage, not as a colonially oppressed country, but as a developing imperialist nation. Practically, this finds its reflexes in the policy of the King government, a policy that seeks to exploit the differences between Britain and the USA in the interests of Canadian capitalism. King apparently favours neither one nor the other of these two imperialist powers, but pursues his own Canadian bourgeois policies....The King government has evinced not desire for greater independence, but continues the policy of maintaining friendly relations with both Downing Street and Washington. There is no desire on the part of the Canadian bourgeoisie for complete independence; in no sense can they be credited with complete separationalist or nationalist aspirations.” (“Letter from T. Bell to CEC of CP, Dec. 4, 1928”, CF Reel 273-7)

A December 1928 article in The Worker titled “Mr. King’s Progressive Imperialism” expressed this new appreciation of the ambitions of the Canadian bourgeoisie. The title came from a recent Toronto weekly, the Saturday Night, which had discussed King’s decision to build a small Canadian navy, described as, “[J]ust the beginning, a very appropriate beginning to designate the new role of Canada in world affairs”. The article noted that rather than describing this as a new policy, King stated that his policy was simply a continuation of the desire by Sir John MacDonald and other Fathers of Confederation that Canada assume an independent status in the world. The Worker concluded:

It is quite obvious that the King policy is not an anti-Imperialist one; but rather the contrary: it is a policy of Imperialism resulting from the growth of Canadian industry and capital accumulation, which expresses itself in independent external relations, but at the same time joins the Empire in general Imperialist maneuvers....It is a fallacy to believe that King, the servant of the Canadian capitalist class will fight Imperialism, because the Canadian capitalist class have also imperialist aims. Canada today is involved in world Imperialist struggles not as an oppressed nation, but as a junior partner in imperialist adventures. (“Mr. King’s Progressive Imperialism”, The Worker, Dec. 15, 1928)
However, even as they occasionally described Canada as an imperialist country, the Comintern and the CPC leadership continued to support the demand for independence. Since Canada was no longer considered a colony, this slogan was given different and confusing meanings. For example, the November 1928 “Theses” argued that independence should be “directed in the first place against the Canadian bourgeoisie and at the same time against British and American imperialism, not from the standpoint of bourgeois national self-determination, but from the standpoint of the proletarian revolution.” It listed various “deviations” that developed using this slogan in the past, which arose first from “a wrong estimation of Canada’s world position”, and “a wrong estimation of the tendency of the Canadian bourgeoisie to weaken the constitutional ties to the British Empire.” However, the “Theses” advanced the “strategical slogan of Canadian Independence under a Workers’ and Farmers’ Government” to link the struggle against the Canadian bourgeoisie with that against imperialist war. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.” The Worker, Dec. 22 and 29, 1928)

In Moscow, Porter had expressed reservations about the independence demand in his reports to the Comintern’s Anglo-American Secretariate in 1928, and in private letters to CPC members. A letter from the Anglo-American Secretariate in December 1928 to the CPC stated that, “…the Party, through its ‘Independence’ slogan, must avoid the errors made in the past of attributing to the ‘nationalist’ bourgeoisie any anti-imperialist qualities. Canadian independence can only mean the victory of the Canadian proletariat and the establishment of the Workers and Farmers Government.” (“Letter from T. Bell of the Anglo American Secretariate to the CEC of the CPC, Dec. 4, 1928”, CF Reel 273-7) This letter may have prompted the CPC to elect a commission to “review position on Canadian Independence as leading CI comrades had doubts about the Enlarged Plenum decision” [this presumably refers to the November 1928 “Theses”]. (“Minutes of CEC of CPC, Jan. 29, 1929”, CF Reel 273-9).

The first official rejection by the Comintern of the independence slogan came in the form of the ‘Closed letter’ to the CPC regarding the upcoming CPC convention, dated April 8, 1929, from the Political Secretariate of the ECCI. The letter stated that:

On the basis of Canada’s development into a definite capitalist country, the Party must put emphasis on the Canadian bourgeoisie as the main enemy of the Canadian proletariat. The ties between Canada and the British Empire are not ties of compulsion, but of mutual interests in exploitation…the Canadian proletariat therefore cannot attribute to the Canadian bourgeoisie the role of an anti-imperialist class fighting for national freedom and a bourgeois-democratic republic. The Canadian bourgeoisie is the chief and most active agent of the imperialists in their attacks upon the Canadian working class. The Canadian bourgeoisie takes advantage of the conflict between British and American Imperialism for influence in Canada and the weakening of the strength of the British Empire to assert an ever growing measure of administrative independence….In these circumstances the slogan of ‘Canadian independence under a workers and farmers government’…can only confuse…and lead the working masses to believe that they are oppressed more by the British Imperialists than by the Canadian bourgeoisie.”
The Worker reported in June that the CPC convention resolutions had “unequivocally” accepted the criticism in the April 8 letter of the Party’s policy. This included “correct[ing] our erroneous slogan of Canadian independence”. ("Canadian Communist Party Welcomes Criticism of Communist International", The Worker, June 22, 1929) However, despite the formal decision of the convention, the issue of independence was apparently not resolved. The ‘Lenin students’ September 16, 1929 letter attacking the Party leadership complained that both majority (MacDonald) and minority (Buck-Smith) factions continued to support the slogan of Canadian independence. (“The Present Situation in the Canadian Party and its Politics [signed by John Porter, Jack Davis and [illegible] Evans], CF, Reel 273-8). While the April 8, 1929 ECCI letter had not described Canada as imperialist, the ‘Lenin students’ did advance this position, and they asked the Comintern to intervene against the support for independence by the Party leadership.

I described above how Porter’s October article in Communist International repeated and even extended this criticism of the Party leadership. He expressed a similar argument in a personal letter to “Stewart” [Smith] dated August 18, 1929. Porter wrote that Smith disagreed Canada was imperialist because he wanted to identify Canada as a theatre of inter-imperialist conflict: In my opinion, your policy as contained in your letter leads to Spector’s old position [Canada as a colony], even though it perhaps will not go so far. You underestimate the Canadian Bourgeoisie, look upon it as an oppressed bourgeoisie without saying so outright, and shift the emphasis of our work abroad instead of keeping it at home.

Porter stated that in his opinion, “we should proclaim the Canadian Bourgeoisie as imperialist, emphasize its imperialist aspirations, warn of coming war, advocate workers and farmers government.” From time to time, the CPC should illustrate imperialist rivalry within Canada: ...But at all times, our agitation should be directed primarily against the home bourgeoisie. In fighting the home bourgeoisie the Canadian workers fight simultaneously against both British and American imperialism, not as their oppressors in the direct sense, but as allies of the Canadian bourgeoisie (Letter dated August 18, 1929 to “Stewart” from “Porter” CF Reel 273-8; emphasis in the original).

The letter from the Political Secretariat of the ECCI to the CPC on October 3, 1929 for the first time also clearly stated that Canada was an imperialist country: It is clear that the basis for the slogan of “Canadian Independence” still finds support among the leadership of the Party. The question of Canadian independence is intimately bound up with the question of the political independence of the Canadian working class. The correct and Communist leadership in the class struggle of the country is impossible if among the ranks of our Party illusions of this kind are spread. The slogan of Canadian independence is a reflex of political passivity and represents a really social democratic Right deviation....This slogan is based on a mistaken view of the role of the Canadian Bourgeoisie and a gross underestimation of the sharpening inner contradictions within Canada, and is bound up with the viewpoint that a revolutionary situation can only be brought about by a war and that it would be necessary to fight for the bourgeois independence of Canada against rival British and American imperialism when an Anglo-American war breaks out.
Therefore we must again point out the increasing imperialist role of the Canadian bourgeoisie, which is preparing for the Anglo-American war against the Soviet Union. In our last letter we wrote 'On the basis of Canada's development into a definite capitalist country, the Party must put emphasis on the Canadian bourgeoisie as the main enemy of the Canadian proletariat.' Canada can on no account be regarded as a colony, it is an imperialist country the bourgeoisie of which is compelled at present to pursue a policy of maneuvering with rival imperialist powers...The Party must guard against the danger of a mechanical approach, of conceiving the Anglo-American war to be the single perspective of revolutionary action. ('To the Central Committee of the Communist Party of Canada, Oct 3, 1929, from the Political Secretariate of the ECCI', CF Reel 273-8) 

I noted before that the CPC leadership did not accept the Comintern's positions, and issued a long statement defending itself from the criticism of the 'Lenin students'. ('Strengthen the Struggle Against the Right Danger (Statement of the Political Committee, Communist Party of Canada). Oct-Nov 1929') A section on "The So-called Question of 'Canadian Independence'" interpreted the resolution of the Comintern's 6th Congress as describing two kinds of colonies, of which Canada was one. It cited a Dec 24, 1928 letter in which the Comintern still supported the independence demand (this probably refers to the letter from Tom Bell of the Anglo-American Secretariate quoted above), and complained that, in his October article in the Communist International Porter had falsely claimed that the April 8 'Closed letter' letter from the ECCI characterized the Canadian bourgeoisie as a "developing imperialist bourgeoisie". This formation had only been used in the December 24, 1928 letter from the Comintern, and the CPC leadership argued that on this point the letter was wrong. They wrote:

The Political Committee completely confirms as did the CI letter of April 8th, the fact that Canada is not an imperialist power, but on the contrary a small nation, in which capitalist economy has rapidly developed, and in which bourgeois democracy has been able to ripen, because the British imperialists were forced by the pressure of circumstances to grant one concession after another to the Canadian bourgeoisie.

The theory of Canada as an imperialist power, as expounded in the statement of the Lenin students, and the article of John Porter in the "CI Magazine"...is such childish nonsense...[that it] is scarcely to be taken seriously by a Marxian party of the working class. ('Strengthen the Struggle Against the Right Danger (Statement of the Political Committee, Communist Party of Canada). Oct-Nov 1929', CF Reel 273-9)

A letter from the Political Secretariat of the ECCI to the CPC sharply rejected the CPC leadership's position on these points:

In our April letter we wrote that "Canada has developed a definitely capitalist economy." This idea was further developed in our October letter in which we stated that "Canada can on no account be regarded as a colony; it is an imperialist country." Hence the Communist Party of Canada is confronted with essentially the same tasks as confront the Communist Parties of other capitalist countries.
THIS DOES NOT IN ANY WAY CONTRADICT THE ThESES OF THE VI
WORLD CONGRESS OF THE COMINTERN.

...While always bearing in mind the influence of the Anglo-American conflict
upon the Canadian bourgeoisie, various sections of which are connected with
either British or American imperialism, the Party must under no circumstances
base its strategy on this conflict. It is an extremely dangerous mistake to assert that
the Canadian bourgeoisie, as a class, has no common class interests, and that in
the event of war between Great Britain and the United States the antagonism of
interests between the various sections of the Canadian bourgeoisie may lead to
civil war within their own ranks. Such a perception leads firstly to the conclusion
that the principle enemy of the Canadian proletariat is not the Canadian but the
British or American bourgeoisie. Secondly, it detracts the proletariat from the
struggle against its ‘own’ bourgeoisie, and at the same time it foster illusions
about [illegible] an easy victory over it.

...Equally wrong is the assertion that the present Canadian government does not
represent the interests of the bourgeoisie. That might have been the case if Canada
were a colony, or semi-colony, and if its government were appointed by the
metropolis.

The statement circulated to the membership “Strengthen the Struggle against the
Right Danger:” not only contains erroneous assertions to the effect that the
Canadian bourgeoisie as a class has no common class interests, but also
resuscitates in its entirety the theory which has been rejected by the Communist
International that Canada is a colonial country; it also revives the false slogan of
‘Canadian Independence’ likewise rejected by the Communist International....The
ECCI emphatically condemns the wrong views expressed in the above mentioned
statement of the Political Committee. (“To the Central Committee of the
Communist Party of Canada”, marked “Confidential”, no date (CF Reel 273-10)

At the end of 1929 Buck went to Moscow, where he continued to defend the CPC’s position. In a
report to Comintern officials he noted, “There are some questions here also [as] to whether the
present Party leadership still maintains the basis of Canadian Independence.” Buck went on:

This has been due, not to a conscious desire to retain the slogan of Canadian
Independence, but to our failure to correctly understand all the implications of this
emphasis of the contradictions in the Canadian bourgeoisie. We must place it in
its proper category. But placing in this proper category does not mean ignoring
the Anglo-American conflict, nor the inner contradictions of the Canadian
bourgeoisie. (“Report on the Canadian Party Situation” dated January 23, 1930,
CF Reel 273-10)

In another discussion, a week later, Buck argued:

Canada cannot be characterized as a colony. On the other hand, it is incorrect at
the present time to categorically designate Canada as an imperialist country, with
the connotation that implies absence of any difference of perspectives for the
Communist Party of Canada with that for the Communist Party of the US.

He argued that the ‘Lenin students’ view that Canada was an imperialist country “comes
dangerously close to an indirect endorsement of the theory of the British Commonwealth of
equal and free nations...and...the impression of an orderly evolution from colony to nation [is]
possible” (“Statement on Political Perspectives in Canada, January 31, 1929”, CF Reel 273-10).

While Buck agreed there had been mistakes made in relation to the independence demand, he also took pains to note that it was the Comintern who had recommended this policy to the CPC. In the end, he apparently found it necessary to submit to Comintern officials, as a January 1930 letter from him to the CPC reads:

In the interests of our Party and in the interests of the Political Bureau of our Party, I am attaching this letter to the statement of the Canadian students at the International Lenin School, in the hope thereby insuring complete unity of the Party leadership in condemning the false approach of the Circular letter sent out by the PolBureau under the date of January 1st, as a covering letter to two letters of the Comintern. (“Letter of Tim Buck to the CEC of CPC, Jan 29, 1930”, CF Reel 273-11)

An April 2, 1930 statement by the Comintern made it clear that all of Buck’s arguments had been rejected:

The role of Canada as a second rank imperialist country is clearly manifested in the fact that the Canadian bourgeoisie has become an important exporter of manufactured goods in addition to agricultural products; that the Canadian bourgeoisie has large foreign investments, and participates in the international imperialist struggle for markets. Although Canada is not a fully independent imperialist country (neither is Poland, Roumania, Norway, Italy, etc.) she nevertheless has her own independent imperialist interests and maneuvers between British and American imperialism in the pursuit of her own aims. (“Resolution of the American-Canadian Ladergroup on the Situation in the Communist Party of Canada” CF Reel 273-11)

This retreat by the CPC leadership was recorded by a motion by Smith, adopted by the CPC Political Committee:

Having overcome our misconception of the effect of the Anglo-American conflict as dividing the Canadian bourgeoisie into two basically opposed sections, the Political Committee of the CPC recognizes clearly the correctness of the Comintern criticisms of our false position. Having overcome our mistaken conception of Canada as mainly a battleground of British and American imperialism, then the imperialist character of the Canadian bourgeoisie, with their vital interests and direct participation in the world imperialist scramble for markets and fields of investment become clearly apparent. (“Minutes of the Political Committee, July 7, 1930”, CF Reel 273-11)

Finally, a “draft statement” issued by the Political Bureau in the January 3, 1931 The Worker stated:

The Canadian bourgeoisie is an imperialist bourgeoisie. And Canada (their country) is an imperialist country. The Canadian bourgeoisie are imperialists, because of their economic, financial, and therefore political interests arising out of the highly concentrated character of Canadian industry with its high degree of
technical development and its important role in the export of capital. All the characteristics of imperialism defined by Lenin with the sole exception of the possession of Colonies, are present in the Canadian economy. (quoted in Penner, 1977, 96)

Despite the rest of the CPC leadership having fallen into line with the Comintern on this point, Buck did mount one final battle in this period for his views. Penner reports that at an Enlarged Plenum in February 1931,

...a bitter debate took place, with Tim Buck hotly defending his position on Canadian independence....He stated that while he accepted the general class analysis made by the Comintern, he felt that it overlooked the peculiarities of the situation of the Canadian bourgeoisie. In using that argumentation, he came dangerously close to advocating a form of “exceptionalism,” which Stalin had so strongly condemned in the American case. Before the Plenum was over, Buck had repudiated his own position, admitted all this errors in regard to the independence tactic, and pleaded for another chance. (Penner, 1988, 88)

In an issue of The Worker after the Plenum, Buck wrote: “Speaker after speaker emphasized the correctness of the Comintern characterization of Canada as an imperialist country and condemned the criminal error of the Poll-Bureau in its resistance to this characterization of the Comintern” (The Worker, February 21, 1931; quoted in Angus, 1982, 315). Penner (1977, 98) states, “the question of Canada’s status seems to have been settled in the ranks of the Communist Party by the definitive statement of the Central Committee meeting of February 1931.”

3.4.7 Summary

Having abandoned the argument that Canada was a colony of Britain, the CPC had to develop a new understanding of Canada’s status, and to decide whether or not to continue supporting state independence. The most important aspect in question was probably the status of the Canadian bourgeoisie relative to British and US imperialism. For a couple of years after 1927, an exaggerated emphasis on the inter-imperialist conflict between Britain and the US tended to displace the party’s political attention from the Canadian bourgeoisie. This was partly because the latter was thought to be divided between sections supporting one or other imperialist power, i.e., that the Canadian bourgeoisie was incapable of projecting its own imperialist interests. The Buck-Smith leadership also argued that, given the connections between Canadian and foreign capital, the data recording that only a minority of capital in Canada was foreign owned misrepresented the true situation. They further claimed that most of Canada’s exports continued to be resource products rather than manufactured goods.

In the fall of 1929, the Comintern finally endorsed the criticism of these views that had been articulated over the previous months by the CPC’s ‘Lenin students’, especially Leslie Morris (“Porter”). For the first time it officially described Canada as an imperialist country. Despite a lack of clear arguments about why conditions in Canada indicated that communists should favour Canadian independence, this policy continued to be supported by both the CPC and the Comintern until mid-1929. When the Comintern relaxed it emphasis on the Anglo-American conflict, greater weight was then given to the Canadian bourgeoisie. This made the independence
demand increasingly difficult to support, since it most directly reflected the interests of parts of the ruling class in Canada.

3.5 Conclusion
I have tried to describe the evolution in the CPC’s understanding of Canada’s political-economic status during the first decade of its existence, and to identify the factors involved in defining this status. It is evident that, while the Party sometimes attempted to root the various approaches it took in facts about this country, the main inspiration for both the description of Canada as a colony and the subsequent rejection of that position was the Stalinist politics of the Comintern in Moscow.

At its founding, the CPC clearly distinguished between Canada and other colonies of the British Empire, and it went on to develop a increasingly concrete description of an emerging Canadian imperialism. However, this approach was abruptly abandoned in 1925 in order to apply Stalin’s popular front strategy against imperialism to Canada. The CPC abandoned most references to economic conditions in Canada, and focused heavily on the formal subordination of Canada to Britain expressed by the BNA Act.

The characterization of Canada as a colony of Britain could not be maintained very long. After the Comintern abandoned the popular front strategy, the CPC adjusted by making the struggle against inter-imperialist war the motivation for the independence slogan. A further change was initiated in 1929 in response to Moscow’s ultra-left ‘Third Period’ policy. The Comintern directed the CPC to drop the independence slogan, since it implied there was some basis for collaboration between communists and the domestic bourgeoisie. The emphasis on the role of Britain and the US in Canada no longer matched the new policy that socialist revolution was ‘right around the corner’. After some hesitation, the Comintern endorsed the arguments that Canada’s industrial role, the relative strength of the domestic bourgeoisie, and Canada’s own foreign investments indicated that this country was an imperialist country in its own right.

Despite the other influences in this debate, it also raised several economic issues that are relevant for determining Canada’s political-economic status in the 1920s. The first is that, by the end of the 19th century, some white-settler states like Canada and Australia were no longer colonies in the sense of the main division of the world between oppressed colonies and oppressor imperialist countries. They were able to develop independent imperialist interests within the framework of the British Empire. This point was recognized in the CPC’s founding program in 1921, and by the 1928 Sixth Congress of the Comintern. Canada’s formal political and constitutional relations with Britain were politically and analytically much less significant than its actual economic relations with the rest of the world.

The second point is that the domestic economic base of imperialism includes significant industrial production and exports, and a domestic economy dominated by national finance capital. The latter point was clearly expressed in the first period of the CPC discussion, but not often cited during the rest of the decade. By the end of the discussion it was also concluded that imperialist status is not precluded by extensive inward foreign investment, a degree of
connection between foreign and domestic capital, or a greater than average specialization in agriculture or resource production.

Qualifications along these lines were cited in all periods of the debate, and were raised as objections to the characterization of Canada as imperialist until the end of the CPC discussion in 1931. However, in both the first period and last periods of this discussion they were rejected as sufficient grounds for such objections. Instead, the fact that most capital in Canada was domestically owned, that Canada had a positive trade balance with most of the world, and the notable expansion of industrial production and exports were thought to confirm imperialist status.

The third point is the existence of outward foreign investment by Canadian capitalists, both to other imperialist countries and to colonial and semi-colonial countries. Again, evidence of such investments was cited to demonstrate that Canada was imperialist in both the first and third period, and objections that such investments reflected primarily the interests of Britain or the US were rejected. In the 1920s, Canada’s foreign investments composed a significant minority of the total capital controlled by Canadian capitalists, and Canadian investments in the US were proportionately larger than US investments in Canada.\textsuperscript{144}

I have ended my review in 1931, because the February 1931 meeting of the party’s Central Committee seems to have been the final round of this discussion about Canada in the CPC. This meeting also marked the consolidation of Tim Buck’s leadership of the party.\textsuperscript{145} The decade or two that followed are less relevant to this study because the CPC’s adherence to virtually every twist and turn in Comintern policies precluded much effort being given to serious efforts to root party policies on the development of the class struggle within Canada.

Following WW2, the party re-established Canadian sovereignty and independence as the central plank in its political platform, an approach it has maintained until today. While the CPC formally defines Canada as an imperialist country, it argues that the Canadian bourgeoisie has sold the country out to US imperialism, and it views independence as “opening the path through intermediary stages to a socialist transformation of Canada” (Penner, 1977, 103). The similarity between this nationalist strategy and the party’s approach in the mid-late 1920s was made clear in a 1972 interview with Stewart Smith (by now no longer a member of the CPC). He claimed that the position he had “fully developed in 1929” (that is, independence in the context of a divided Canadian bourgeoisie) was fully vindicated by the 1955 program of the CPC (Penner, 1977, 96).\textsuperscript{146}

In the next several chapters of this study, I will discuss the current status of some of the aspects of the Canadian economy that were important elements of the discussion in the 1920s. The early CPC’s debate has been almost entirely overlooked in recent decades, but I think it yields useful empirical, analytical and political precedents for the current debate. For example, the weight of foreign investment in Canada remains a central point of dispute. Similarly, the divisions within Canadian capital, and so whether Canadian capitalists are able to project a common ‘national’ interest in the face of foreign capital, continue to be discussed. The current discussion about the nature of Canadian industrial development and trade revisits some points that were debated in the CPC in the 1920s.
Finally, the CPC discussion in the 1920s poses the issue of the timing of Canadian dependency. Most writers who consider Canada imperialist today agree that it probably was also an imperialist country in the 1920s (e.g., McNally, 1981; Carroll, 1986). Resnick (1989) agrees that Canada is now a ‘core’ capitalist country, but this status was only achieved in recent decades. Most supporters of the dependency model are divided between those who consider Canada dependent from birth (e.g., Naylor, 1975; Clement, 1977) and those who date its regression “from nation to colony” after WW2 (Levitt, 1970). The economic evidence from the 1920s provides one standard for evaluating similar areas of evidence today.
Part II: Foreign investment and Canada's political-economic status
Chapter 4: Issues related to foreign investment and control

It is as difficult to tell the borderline at which a corporate executive ceases to be an American and becomes a Canadian as it is to tell the borderline between being tipsy and being drunk....It is doubtful that nationality is relevant to the logic of corporate behavior.

-- John Porter (1965, 270)

4.1 Introduction to Part II
In Part II of this study, I investigate how foreign investment is related to Canada’s political-economic status. My basic premise is that the pattern of foreign investment is an important indicator of a country’s position in the world economy. Extensive inward investment is generally associated with being a dependent country, and extensive outward investment with being an imperialist power.

The dependency and imperialist models of Canada disagree about many aspects of foreign investment in Canada. In the dependency model of Canada, the level of inward foreign investment and foreign economic control is considered a central characteristic of this country. Foreign investment is the key point that distinguishes Canada from other advanced capitalist countries. It is considered the main major root of the ‘underdevelopment’ of Canadian industry, and of associated problems in this country ranging from high unemployment to regional disparity.

Inward foreign investment is less central to characterizations of Canada as an imperialist country. This perspective assumes that rates of foreign control in Canada are lower than high rates typically assumed by dependency accounts, and it disagrees with the association or causal connection drawn in the dependency approach between high foreign investment and problems like poor industrial performance and regional disparity. This model also pays more attention than does the dependency model to Canadian investment abroad, including investment in ‘developing’ countries.

Foreign investment and control are related to other aspects of Canada’s political economy that are addressed in the two Parts following this one. For example, one reason that inward foreign investment looms large in ‘dependency’ accounts is that this model also assumes that financial and industrial sectors of capital in Canada are poorly integrated with each other. This implies that the Canadian capitalist class is vulnerable and weak in relation to foreign investors. In contrast, the imperialist model of Canada assumes there is a relatively united Canadian capitalist class who dominate the domestic economy as a whole, in spite of extensive foreign control in certain sectors. I discuss these issues in Part III, Chapters 6 and 7.
Similarly, the dependency model associates foreign investment with industrial underdevelopment. One way of addressing the validity of this association is by examining whether the recent pattern of industrial development in Canada is consistent with the dependency model's assumptions in this area. I discuss the record of industrial performance in Canada in recent decades in Part IV, Chapter 8.

This chapter reviews past arguments and evidence on how inward foreign investment and outward foreign investment are related to Canada's political-economic status. Chapter 5 will then update and expand the evidence regarding the current extent of foreign control in Canada; discuss the trends over time; compare Canada with other countries; and describe the extent of foreign investment from (rather than to) Canada.

4.2 Review of past studies
I will first discuss issues related to inward foreign investment, including its level, significance, trends over time, regional distribution, and comparisons of foreign investment in Canada and other countries. Similar points about the opposite phenomena, namely outward foreign investment from Canada, will be addressed further below.

4.2.1 The nominal level of foreign control
The general argument of the dependency model is that the level of inward foreign investment and control is very high in Canada, and is one of the main points that defines Canada's political economy. Mel Watkins (1997, 29) writes that, "foreign ownership became an important political issue in Canada in the 1960s - under the leadership of the Liberal nationalist Walter Gordon -- and the debates about it were central to the emergence of the new political economy".\textsuperscript{147} In a recent collection of readings on Canadian political economy, Clement and Williams (1997, 44) write that, "no other country has ceded so much influence over its economic direction to foreign firms". Leo Panitch similarly refers to "the implantation within the social formation of a powerful fraction of foreign capital on a scale unmatched anywhere in the developed world. (Panitch, 1985, 5)

Opponents of dependency-influenced views acknowledge that there is extensive foreign investment and control in Canada. Their most important disagreement concerns the significance of foreign investment. However, they also differ on the extent of foreign control, and what nominal measure best expresses its relative importance.

This can first be seen by the figures on foreign control on a broad industrial basis cited by each of the two models of Canada. On the dependency side, Mel Hurtig indicates that the rate of "foreign ownership" in "non-financial industries" is about 33%. He similarly reports that 38% of the "largest 500 companies" in Canada are "foreign controlled". (Hurtig, 1992, 61; 62) The Council of Canadians claims that "foreign ownership or control of Canadian industries" is 56%. (Council, 1998, 13) Saul (1997, 158) writes that the foreign share of the economy is "close[r] to 50%".

In contrast, critics of dependency views usually cite significantly lower rates of foreign control. Kellogg (1991, 35) states that the rate of "foreign control of Canadian industries" is about 27%.\textsuperscript{88}
Niosi (1983, 133) cites a rate of foreign control in non-financial industries of 26%. Richardson (1992, 311) reports that 25% of the largest 397 non-financial corporations in Canada are foreign controlled.

In addition to these differences in broad-based estimates of foreign control, a second point of difference between the two models is that dependency writers generally focus on industrial sectors with particularly high rates of foreign control. For example, Orchard (1993, 143) describes the “foreign domination” of Canada by citing rates of foreign ownership in seven major industries that range from 75% for “heavy manufacturing” to 100% for tobacco. Hurtig (1992, 62) lists 32 sectors that he reports have more than 50% foreign control. Dependency writers often argue it is appropriate to focus on industries with high rates of foreign control, like petroleum and auto, because they are broadly ‘strategic’ sectors, with influence extending throughout the rest of the economy. For example, Levitt (1970, 121; 123) described foreign capital as predominating in sectors where “metropolitan taste-formation and technological and product innovation are crucial”. In contrast, she claimed that Canadian capital tends to concentrate in sectors “characterized by small production units …or…by thoroughly dim prospects.” (Ibid.)

Writers characterizing Canada as imperialist have criticized this tendency to generalize from the extent of control in individual sectors. Carroll (1986, 189) notes that other countries also exhibit extensive foreign control in some sectors. He reports that in France, foreign owned firms control more than 50% of sales in petroleum, agricultural equipment, electronics and chemical industries. Kellogg (1991) underlines the fact that, contrary to perceptions that foreign control predominates in virtually all key industrial sectors, there are important branches of industry where control remains overwhelmingly Canadian, for example, steel and telecommunications.

A third point is that both sides of this debate have largely focused on foreign control in non-financial industries in discussions of who exercises overall control of the Canadian economy. The issue of foreign control in the financial industries’ share of the economy has been largely ignored. Niosi (1981 [1978], 143) offers one of the few estimates of foreign control in financial industries in the context of discussing Canada’s status -- about 15% of assets. Carroll (1986) included financial corporations in his study of the “top 100” corporations in Canada, but this list is not representative of the economy as a whole, and it only extends to 1976.

One practical reason for the focus on non-financial sectors is that, until recently, no official measures of foreign control in financial sectors were available. Statistics Canada first published official estimates of foreign control in financial industries (banks, trusts, insurance, investment holding companies) in 1990, and so, when combined with the traditional series for non-financial industries, for the corporate economy as a whole (Statistics Canada, 1990a). However, this data has not received any notice in the Canadian political economy literature on foreign control.

Confusions over data on foreign investment and control
The fourth point about the discussion of foreign ownership and control in Canada is a widespread tendency by most writers not to accurately describe what the numbers they cite actually measure, or even to inform readers of their sources of data. To take examples from writers quoted above on both sides of the debate, Kellogg is partly wrong in describing his figure
as foreign control of “sales”. In fact, he splices together two quite different measures, one for control of capital employed (a stock) up to 1965, and the other for control of operating revenue (a flow) for the period since 1965. In his discussion, he also sometimes refers to ownership and control as if they are the same thing, even though official data sources clearly distinguish between these two concepts (Kellogg, 1991, 35-36). Hurtig, Orchard and the Council of Canadians provide no sources for their numbers cited above, making it difficult to know why their numbers are so different than those of Kellogg and Richardson.

Saul’s (1997) brief discussion of foreign control in Canada illustrates many of the problems along these lines, and so is worth discussing in some detail. He reports that “American ownership...[is]...officially some 25 per cent of the economy”, and goes on to state that this rate is “five time that of most developed countries.” Saul also claims that if minority control were considered, the rate of foreign control would rise to “closer to 50%”. (Ibid., 158)

As is often the case in these discussions, Saul does not provide the source for the 25% rate of American ownership, though the reference to “official” suggests it is Statistics Canada. The most ‘official’ estimate of US control in the Canadian economy is produced by Statistics Canada under the Corporations and Labour Unions Returns Act (CALURA). It reported that in 1995, U.S. control was 10.8% by assets and 20.4% by operating revenue (Statistics Canada, 1997a, 73).

Saul also does not state the units of his 25% rate of ownership. This clearly makes a significant difference, since the official CALURA rate expressed in terms of revenues is almost twice that by assets. The ordinary use of “ownership” generally means a stock of equity or assets rather than the flow of one year’s revenues, but Saul’s 25% rate is almost two and half times the asset rate recorded by CALURA. The difference between these levels of US control in Canada is the equivalent of twenty-one corporations the size of General Motors of Canada Ltd., the largest foreign corporation in Canada.

Measuring foreign control is a complex issue, and it is not surprising that confusion arises over the various sources. However, it seems that high rates of foreign control of the Canadian economy have been cited for so long that some writers simply repeat dramatic-sounding numbers without any effort to think about what they actually mean.

It is possible Saul intended the 25% figure to refer to foreign control rather than U.S. ownership. In the rest of this paragraph, he refers to the foreign rather than U.S. ownership, and in the paragraph that follows this figure, he quotes a Statistics Canada report that foreign control of corporate revenues had increased to 29.8%. Mixing up foreign and U.S. control is also not unusual in dependency accounts, as foreign control is often considered almost exclusively in terms of its U.S. component.

As already noted above, most figures for foreign control in Canada are for non-financial sectors alone, and this is the most likely source of Saul’s 25% figure (if we also accept the speculation that he intended it to also refer to the foreign rather than the U.S share). The CALURA figure for foreign control of assets in non-financial industries was 24.3% in 1995, and the corresponding rate of US control was 15.9% (Ibid.). Another ‘official’ series that also only covers non-financial
industries, and that expresses foreign ownership and foreign control in terms of capital employed reports that foreign control on this basis is about 25%. (Statistics Canada, 1993c)

Before concluding the latter is Sauls’ source, however, we must clarify the difference between foreign ownership and control. As is well known, it is possible to control a company without owning all of it. Conversely, ownership of a minority share in an enterprise may not result in effective control. Like many writers, Saul mixes up ownership and control. He refers to the 25% figure in terms of ownership. However, the only “official” (i.e., Canadian government) rate of “foreign ownership” is from the series noted above expressed in terms of capital employed in non-financial industries. In 1993, this rate was 31%, and foreign control of capital employed was 25%. (Statistics Canada, 1995c, 126) Much of the difference between the two is due to large foreign lending to provincial Hydro utilities that, nonetheless, remain under Canadian control.

Saul goes on to claim that rates of “foreign ownership” (he probably means foreign ‘control’) “officially” assume that 51% share ownership is required to control a company. He argues this figure is “naively high”, so that “[t]he real figure of effective foreign ownership [i.e. control]...[is] ...probably closer to 50 per cent.” (Saul, 1997, 158) As we have already seen, however, the rate of foreign ownership of capital employed, to which the majority share threshold does not apply, was 31%. The 51% threshold (actually, 50% plus one) applies to foreign control, not to foreign ownership. In any case, 31% is still not “closer to 50 per cent” than it is to 25%.

Saul is not the only writer to claim that Statistics Canada data underestimates foreign control in Canada. Grabb (1990, 78) also claimed that, “CALURA figures do not treat a corporation as foreign unless more than 50% of its ownership is foreign based. Therefore the results...underestimate the full extent of foreign influence, since companies under minority control by foreign influences are not defined as foreign in these data.” Laxer also quotes a CALURA report as stating that foreign control exists when non-residents own a majority of voting rights (Laxer, 1989b, 21, footnote 39).

If Saul was referring to a series on foreign ownership and control of capital employed from the balance of payments accounts, he is correct that in this series majority ownership is used to designate control. However, if Saul was referring to CALURA data, (as are Grabb and Laxer) additional criteria apply. The CALURA measures of foreign control are the most authoritative, since they are produced under the Corporations and Labour Unions Return Act for the express purpose of monitoring direct foreign control in Canada. The capital employed series discussed above is designed for the purpose of balance of payments accounts. CALURA reports have for years clearly stated that, in addition to assigning control on the basis of majority ownership, it is assigned to a group of shareholders holding one-third of the shares in a block that is larger than the next two blocks combined. Also, where foreign and Canadian shares are equal, control is designated foreign.

Finally, it is evident that even if the threshold level for minority control was reduced below the one-third level, the effect on overall rates of control would almost certainly be far less than Saul suggests. Statistics Canada reports that the “overall percentage of cases in which control has been assigned on the basis of minority control [i.e. where shareholding is between one-third and
one-half] has been relatively low” (Statistics Canada, 1988, 68). Studies of international investment (e.g., see DeAnne, 1990) confirm that relatively little FDI takes place through minority ownership positions. Investments by multinational corporations are generally part of highly integrated systems of production and exchange, and they prefer to retain clear authority to make decisions about each component.155

Another confusion about the criteria for assigning control is that some writers confuse the 10% and greater ownership used to designate direct investment (FDI) as opposed to portfolio investment (FPI), and the one-half or one-third rule for designating control of assets, revenues or capital employed by CALURA. For example, Laxer (1989, 21, fn. 39) claims that, “the United States applies a much more stringent definition of foreign ownership than does Canada”, quoting the 10% rule for FDI in the US versus the 50% rule for foreign control in Canada followed by CALURA. However, this confuses two different concepts. Like most countries in the world, Canada applies the 10% rule when designating FDI. The criteria used by CALURA to define control are actually more ‘stringent’ than the US definition of FDI. The former includes all assets or revenues under the control of the foreign investor, while the US measure of FDI represents only the foreign-owned portion of the investment, and excludes the share they may control but which is owned by domestic investors.156

Comparisons with foreign control in other countries

The final point about nominal rates of control is how they compare with the rates in other countries. This is a particularly important point in dependency accounts, since they assume that very high foreign ownership is a key reason for why it is misleading to compare Canada with other advanced capitalist countries. However, there have been relatively few comparisons of foreign control in Canada and other countries cited in past discussions of Canada’s status.

We can again begin with Saul’s discussion. He states that U.S. ownership rates in Canada are “five times those in other developed countries” (Saul, 1997, 158), without, however, indicating any source for this data. Clement and Williams (1997, 43) instruct us to think in terms of “foreign direct investment and control of Canadian production at levels unmatched anywhere else in the world”, also without providing any evidence for this claim. After noting rates of control in various industrial sectors in Canada that range between 75% and 100%, Orchard (1993, 143) writes that “[I]n contrast, foreign ownership of the United State’s economy is only 3 percent; of Britain’s 3 per cent; Japan’s less than 2 percent; and France’s, 3 percent.” Hurtig (1992, 61) compared a rate of foreign ownership in non-financial sectors of about 33% in Canada with rates of about 8% for the EC, 5% in the U.S., and 2% in Japan.157

Writers who consider Canada an imperialist country also have not provided any detailed comparisons of overall foreign control in Canada and other countries as an alternative to the claims of dependency writers. As already noted, Carroll (1986) pointed to a few rates of foreign control in individual industrial sectors in countries like France that are not very different than those in Canada.

One well known study of FDI in the U.S. by Graham and Krugman (1989, 33) cites figures for the share of foreign owned firms in sales in the US, Japan, France, Germany and the U.K. in 1986 as 10%, 1%, 27%, 18%, and 20% respectively. Canada is not included in this comparison,
but according to Statistics Canada (1991a, 126), foreign control in non-financial sectors (the most likely sectoral coverage of the numbers in Graham and Krugman) that year was 27.8% by revenues. Of course, the Canadian data methodology may be different than the other countries, but this comparison does suggest that the difference between foreign control in Canada and other leading countries is exaggerated in dependency accounts. The United Nations and OECD use a ratio of FDI to either gross domestic capital formation or GDP to compare the level of foreign investment. While there are problems with how FDI is measured, these ratios offer a reasonable index of direct foreign control. I examine this data in Chapter 5.

4.2.2 The significance of foreign investment and control
I discussed some of the issues concerning the measurement of foreign investment and control above. While there are some differences between the two models on this point, the more important issue concerns the significance of the levels of control, so I will now turn to various aspects of this issue. They include the role of direct as opposed to portfolio investment; whether the nationality of corporations makes any difference to their behavior; investment relations between advanced capitalist countries; the logic of dependency; and how to evaluate the balance of control between foreign and domestic corporations.

Direct and portfolio investment
The first point is the importance of direct as opposed to portfolio investment. Most writers on both sides of this debate focus on direct investment, and I will largely confine my discussion to it as well, even though dollar totals of foreign portfolio investment (FPI) are larger than in the case of FDI. In 1999, inward FDI totaled $240 billion while inward FPI totaled $496 billion (Statistics Canada, 2000b, 31).

Direct investment is considered important because it represents active, ongoing managerial influence over corporate activity. The conventional threshold used to define foreign direct investment is ten percent or more of voting equity. It is generally assumed this share is sufficient to represent ongoing influence in operating decisions, for example, through representation on a company's Board of Directors. Investments with foreign shares below the 10% ownership level are defined as portfolio investment (for more on the international conventions defining FDI, see OECD, 1998b).

In Canada, most FPI is held in government and Hydro bonds. Ownership of these bonds generally assures an investor a financial return, but not direct operational influence or control. A smaller portion of total foreign portfolio investment is held in the form of owning less than 10% of the equity (stock) of corporations in Canada. FPI is sometimes cited as an issue because much of the public debt is held in this form by foreigners (see e.g., Hurtig, 1992). It is also often discussed in connection with Canada's balance of payments, since the deficit in FPI in the capital account is the other side of Canada's historical pattern of surpluses in the merchandise trade account (see Norcliff, 1996). However, issues concerning foreign portfolio investment have generally been considered less significant than those concerning foreign direct investment.

One of the first writers to emphasize the role of direct as opposed to portfolio investment in discussions of Canadian dependency was Kari Levitt. She wrote that the "...instrument by which the Canadian economy has been recolonized...is that of direct investment", arguing that it was
“crucial” to distinguish the effects of portfolio investment versus direct investment in subsidiaries and branch plants (Levitt, 1970, 58-59). Levitt argued that Canada had successfully made the transition from colonial status to independent national development while relying on foreign (mostly British) portfolio investment, but later regressed into dependency as foreign direct investment (mostly US) expanded and replaced portfolio investment. She cited data from Canada’s balance of international payments showing that in 1867, the value of FDI amounted to only 7.5% of the value of FPI in Canada; but reached 58.3% by 1965. (Ibid., 65-66)

Levitt particularly concentrated on direct investment by multinational corporations as representing a “new mercantilism” which suppressed domestic entrepreneurialism. Like other political economists who will be discussed below, she viewed foreign branch plants as an obstacle to rounded industrial development, and a major cause of regional disparity. In short, for Levitt, and most Canadian political economists, foreign direct investment is the key mechanism promoting Canadian dependency, though not all the latter agree with Levitt’s particular emphasis on entrepreneurialism.

Some of these points will be discussed later in this study, but they should be briefly noted here. James Laxer (1973a; 1973b) argued that US firms were ‘de-industrializing’ Canada by closing more Canadian than US plants during periods of retrenchment. Britton and Gilmour (1978) focused on the lack of research and development in branch plants and more broadly in the Canadian economy. They emphasize that multinational corporations tend to centralize higher order functions like research and development in parent companies. As a result, branch plants in Canada failed to develop and apply high technology processes and products.

Williams similarly claimed that foreign parent firms limit Canadian branch plants to certain products and markets, and so limited Canada’s industrial potential (Williams, 1994; 1983). Hurtig (1992) argued that foreign firms generate less employment than domestic firms. A graph in his book indicates that Canadian companies created 339 times as many jobs per unit of profit as U.S. companies (1992, 80). Almost all new Canadian political economy writers argue or imply that foreign investment promotes an excessive reliance on capital-intensive resource extraction and exports. Williams (1983, 11) writes that,

...historically, Canada has sacrificed many potential jobs by emphasizing resource extraction rather than trade in industrial products. As a result, the country stubbornly maintains an unemployment rate near the top of the highly developed OECD countries.

The significance of direct control
The main difference between supporters of the dependency and imperialist model is that the latter do not agree with the dependency theory association of high levels of inward foreign investment with various social and economic problems facing working people. The first argument concerns the relevance of nationality of corporate ownership in a capitalist economy. John Porter (1965) carefully detailed the extent of foreign ownership in the Canadian economy in his classic description of economic and social elites in Canada, but he concluded it was not analytically necessary to distinguish the foreign from the domestic elite in Canada. He argued:

Corporations...are governed by human beings who behave in accordance with a set of institutional norms -- those of corporate capitalism. To argue that national
sentiments and the 'national interest' would supplant the historical and inexorable norms of capitalist enterprise is to reveal an ignorance of the capitalist economy... It is as difficult to tell the borderline at which a corporate executive ceases to be an American and become a Canadian as it is to tell the borderline between being tipsy and being drunk.... As has been argued, it is doubtful that nationality is relevant to the logic of corporate behavior. (Ibid., 269-273)

The second line of argument is that hosting foreign direct investment does not necessarily imply dependency. Even extensive inward foreign investment can be consistent with imperialist status. Carroll (1988, 150) writes that “[W]ithin Marxist political economy, the establishment and growth of US branch plants in Canada is seen as the first case of a general internationalization of capital.” Foreign investment in Canada is thus understood as a leading example of a broader characteristic tendency towards interpenetration of advanced capitalist economies. Mandel (1978 [1972]) emphasized the importance of this aspect of 'late capitalism' several decades ago.

The third point of difference is whether foreign ownership promotes an economy-wide dynamic that interrupts 'normal' functioning of capitalist development and growth. Carroll (1986) summarizes a number of theoretical and empirical objections to this dependency logic. On the empirical side, he argues that while extensive foreign investment is often associated with dependency, there is no consistent empirical association of high rates of foreign investment with national dependency. For example, he notes that Canada and Belgium are more “dependent” on foreign investment than India or Pakistan, but are not considered dependent countries. (Ibid., 17)

Carroll’s theoretical objections to dependency theory centre on what he views as its empiricist methodology. It tries to account for or explain one set of concrete phenomena (like weak domestic industry or high regional unemployment) on the basis of other concrete phenomena (like extensive foreign investment), without reference to the inner, structural logic of capitalism. The actual mechanisms of dependency are never clearly detailed; it remains a vague syndrome.

The fourth argument expresses different perceptions of what is most relevant in understanding Canada. The dependency model focuses on foreign capital in the country, while the imperialist model focuses on domestic capital. As noted above, this is partly because the dependency model considers the Canadian bourgeoisie to be relatively weak and divided. As a result, it is even more vulnerable to U.S. capital than is suggested by the latter’s nominal share of the economy. The imperialist model, in contrast, points to the very concentrated character of capital in Canada to underline its claim that domestic rather than foreign capital dominates the Canadian economy. I will take up the differences on the organization of capital in Part III of this study. Here I only consider the aspects directly related to foreign investment.

Foreign ownership in Canada grew rapidly after WW2, and by the end of the 1960s and early 1970s, concern about the threat to Canadian sovereignty had been widely popularized by a series of Royal Commissions (e.g. the Reports by Gordon, Watkins, Gray and Wahn). Political economists like Drache (1970), Levitt (1970), and James Laxer (1973a; 1973b) concluded that Canada was slipping back into colonial status. Moore and Wells (1975) were early opponents of such views. While acknowledging the growth of foreign investment, they argued that Canada
was, nevertheless, rising within the imperialist hierarchy. They argued that one indication that Canadian capital had retained its dominant position in the country was that it was "holding its own" among the top 100 corporations in Canada listed each year by the Financial Post. (Ibid., 47)

Jorge Niosi also emphasized the balance of control between domestic and foreign capitalists, making the point that while the "nationalist school had contributed to the analysis of foreign control...it unfortunately neglected to study the indigenous ruling class" (Niosi, 1981 [1978], 12). In addition to citing Statistics Canada’s measures of foreign control, his surveys that found that among crown corporations with assets of more than $100 million, 80% of outside directors were Canadian private sector capitalists, their professional advisors, or government officials. He concluded that,

...it is the Canadian bourgeoisie that plays a dominant role in Canada, in the private sector where it controls at least 70% of all corporate assets, as well as the public sector, where most key government-owned corporations are run by this Canadian capitalist class and its key advisors. (Ibid., 2)

Niosi reinforced his conclusion about the domination by Canadian capital in a study of the largest 35 conglomerates in Canada. He found the rate of foreign and U.S. control of this powerful group of corporations were 12% and 8% respectively, less than half the level in the economy as a whole (Niosi, 1987, 45).

Carroll (1986) also demonstrated the scale of Canadian as opposed to U.S. control of the largest corporations in Canada. In a list of the top 100 companies in Canada he studied, 29 companies and 15% of assets were foreign controlled in 1976, and 12% of assets were US controlled. (Carroll, 1986, 78) Carroll also pointed out that, contrary to popular perceptions that the growth of US control in Canada took place through takeovers of Canadian firms, the main vehicle for such growth was the internal growth of firms already foreign owned. Over the previous three decades, Canadian capital had also taken over several leading firms previously foreign controlled, like Inco and Bell (Ibid., 157). Carroll found that Canadian capital had diversified sectorally, and he noted that it had centralized more rapidly than foreign capital during this period. For these reasons he argued that a large and very concentrated group of Canadian-controlled corporations had retained and in some ways even strengthened their position as the leading economic power in Canada.

4.2.3 Trends in foreign control
Not surprisingly, the two characterizations of Canada have different views on the trends over time in foreign investment and control in Canada. Below I will summarize the discussion of the trends in foreign control since the 1970s. In some ways, the trends in foreign control are more revealing than its level at any given moment, because they presumably reflect the longer-term consequences of that level of foreign control.

Dependency predictions
In general, the perceptions of the prospects for Canadian capitalism by dependency writers are ‘pessimistic’. Kari Levitt (1970) and other early new Canadian political economy writers generally anticipated that, in the absence of strong nationalist policies to limit foreign investment
it would continue to grow, and further compromise Canadian economic sovereignty. Conservative nationalist George Grant was often cited for his worry that Canada’s “surrender” had already taken place (Grant, 1965). Robert Laxer (1973, 25) wrote that the Waffle’s left-nationalist politics would “receive the acid test during the 1970s and 1980s, the decades when Canada’s future will be pointed either towards continentalism and a final lament, or towards socialist independentism and a new birth.”

Following the decade of the 1970s, concern regarding foreign investment declined somewhat. In part, this was because of a number of nationalist steps that had been taken, mostly by the federal government. They included the Foreign Investment Review Agency (FIRA), limits on foreign competition in Canadian cultural industries, the creation of a major government-owned oil company (Petro Canada) and other elements of the federal government’s National Energy Program. However, a series of further proposals for a ‘national industrial policy’ were rejected, most notably those advanced by the Science Council of Canada (see Britton and Gilmour, 1978), and the Council was disbanded.

The general evaluation of these policies by dependency writers is that they were a case of ‘too little, too late’. Cy Gonick (1987, 198) wrote of FIRA that, “[W]hile it was a noble idea, the problems of Canadian industry were already firmly entrenched and too severe for FIRA to effect even the slightest amelioration.” According to Gordon Laxer (1989b, 3-4),

[Conservative Prime Minister] Mulroney’s victory and the ensuing Free Trade Agreement completed his government’s dismantling of most of the mild economic-nationalist policies, begun in the 1960s, that had started to reverse, to a small degree, the overwhelming extent of foreign ownership and control of Canada’s manufacturing and resource sectors.

Left-nationalist politics in Canada were re-ignited through the campaign against the 1988 Canada-US Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA) that followed. While foreign ownership was not the focus of concern, it was generally assumed these agreements would deepen the already pervasive US domination of the Canadian economy. On the one hand, it was anticipated that FTA would increase rates of direct foreign control. This agreement was often associated with the mergers and acquisitions in the late 1980s that shifted a number of prominent Canadian companies to foreign control. When summing up the record to date of ‘free’ trade, the Canadian Citizens Against Free Trade (CCAFT, 1997) cited the “wave of US takeovers...[that]...makes it increasingly difficult to ‘buy Canadian’”.

On the other hand, a large number of manufacturing operations in Canada curtailed their operations in the early years of the FTA, and it was widely claimed that it was the Free Trade Agreement that caused a large-scale dis-investment in Canadian branch plants in favour of US locations. Black (1992, 90) referred to the “major relocation of 250,000 to 300,000 manufacturing jobs to the US from Canada (mainly Ontario). This transfer in production and jobs...” The CCAFT stated that, “25% of the Canadian manufacturing base was wiped out in the first three years of the FTA”. (CCAFT, 1997)

It seems clear, then, that since the 1970s, writers who view Canada as imperialized have not generally anticipated that foreign control of the Canadian economy would decrease by any
significant margin, except in the negative sense of US disinvestment. However, as will be discussed below, foreign control did decline after 1970 until about the mid 1980s. Williams (1983, 103) tried to explain away the “moderate decline” in foreign control as being “the result of mergers, government takeovers, and a few controversial reclassifications by Statistics Canada of the nationality of some large corporations.” Leo Panitch (1985, 10) described it as a “marginal decline” and went on to criticize the “optimists” (like Resnick, 1982) who had suggested it marked a significant shift in power towards the Canadian bourgeoisie. The overall sense of the effect of the FTA and NAFTA was that these agreements would dramatically increase US domination of Canada’s economy.

Considering the importance of the level of foreign control for the dependency model, it is thus remarkable how little attention has been paid to this issue, including the changes in the level of foreign control. One partial exception is Mel Watkin’s forthright comment:

The ink was hardly dried on this literature [the early ‘dependency’ views] when (as we know now) there was a considerable decrease after 1970 in foreign (mostly American) ownership and control of the Canadian economy relative to Canadian ownership and control. This outcome raises the possibility that the Canadian capitalist class is now - and perhaps long has been - more impressive than some of us have thought. (Watkins, 1997, 29)

However, the rest of Watkin’s article describes Canadian capitalists as not very “entrepreneurial” and argues that that Canadian capital in resource sectors “is becoming more efficient as rentier, rather than industrial capital” (Ibid., 29). Watkins also discusses “how a staples economy comes to be characterized by dependent industrialization and a comprador business class” (Ibid., 24), and refers to the “imprint of truncated development” (Ibid., 30). In short, like most dependency writers, he does not seem to think that very much about his previous position really needs to be changed.

The critics of dependency
Critics of dependency have made the decline in foreign control after the early 1970s a key aspect of their counter-view on the relative power of Canadian capital, and of Canada’s broader political-economic status. Even before the downward trend in foreign control after 1971 was obvious, Moore and Wells (1975, 12) argued that, “Canada has started on the road to a slow but sustained imperialist expansion...if present trends continue, Canada will be a secondary imperialist power in the coming decades.”

Carroll’s (1986, 98-99) assessment of the trends in control of the assets of the top 100 corporations between 1946 and 1976 was that Canadian finance capital retained and in some respects even strengthened their position of control at the centre of corporate power in Canada. While the share of the assets of the top corporations under Canadian control dropped by two percentage points over this period, he noted that Canadian capital became more balanced sectorally, especially by expanding into the faster growing manufacturing and mining sectors, and because several powerful investment companies emerged (Power Corporation, Brascan, and Canadian Pacific Investments).

While dependency writers viewed the decline in foreign control in the 1970s and 1980s as “modest” or “marginal”, writers on the other side of the debate began to argue they were instead
Kellogg (1991) argued that the significant decline in foreign control was a telling point against what he called the 'weak Canada' perspective. He cited CALURA data showing that foreign control had declined from 38% in 1971 to 27% in 1987, and underlined the scale of this shift in foreign control (almost 30%). Kellogg also underlined that the decline had occurred in almost every industrial sector. Finally, he pointed out that the reduction in the U.S. share of the Canadian economy was greater than that for all foreign countries, a fact he considered particularly significant given the assumption of US domination in dependency accounts.

Kellogg also criticized the explanations by Williams (1983) and Laxer (1989a) on the downward trend in foreign and US control. He questioned why Williams viewed declines in foreign control resulting from Canadian private and public acquisitions as unimportant (see above). As for "controversial re-classifications", Kellogg suggests Williams probably had in mind the reclassification of Inco Ltd. from foreign to Canadian control in 1972 based on CALURA’s criteria of assigning control to the country in which most shareholders resided. Kellogg argues this was hardly controversial, especially given its consistency with the broad decline in foreign control over this period. He concludes that Williams and Laxer simply fail to adequately acknowledge the breadth and depth of the decline in foreign and US control of the Canadian economy since the 1970s.

4.2.4 Urban and regional aspects of foreign investment

Most discussions regarding foreign investment are posed at the national scale analysis. This scale is most appropriate for discussing Canada’s position the world system. However, the national status of a country has implications for regional and urban issues within the country, especially in the dependency model, which often relates urban and regional issues to Canada’s national dependency. In the dependency model, regional disparity is thought to be aggravated by the absence of a well-integrated national economy, which in turn is linked to an orientation to foreign rather than domestic markets and an over-specialization in resource production. For example, Britton and Gilmour (1978, 94) argued that FDI has,

...generated undesirable spatial economic effects...At the national scale foreign firms have been instrumental in widening regional economic disparities in Canada...At the regional scale there is now strong evidence that foreign-owned firms tend to be very loosely connected to the local urban economies in which they are located. [emphasis in original]

Similarly, Cohen (1991, 88) claims that,

...the heavy reliance on trade in primary and semi-fabricated materials is responsible for high rates of unemployment in regions of the country that are most
dependent on resource exports. It also results in poor integration of sectors, a volatile economy, poor distribution of income, and particularly high regional inequalities.

Writers who describe Canada as imperialist have not generally discussed urban or regional issues in relation to Canada’s status, probably because they do not view urban and regional issues in Canada as being very different than in other advanced capitalist countries. One reason is that there is little evidence available to demonstrate that regional disparity is greater in Canada than in other advanced countries, or that the trends over time are different than in these countries. More generally, the imperialist model focuses on characteristics of capitalism as a system, including the pattern of combined and uneven development, which suggests that regional disparity is more typical than atypical of ‘normal’ capitalist development.

Geographers often focus on urban and regional (rather than national) scales of analysis, and this is true of most geographic research specifically concerning FDI in Canada. Ray (1971) used factor and regression analysis to show that the number and location of U.S. manufacturing subsidiaries in Canada were significantly related to the size and proximity of U.S. metropolitan centres. He concluded that regional development in Canada is partly shaped by a process of industrial interaction with U.S. cities, and between ‘core’ regions in the U.S. and Canada.

Green and McNaughton (1989) also focus on a sub-national scale in examining the shift of corporate power between cities resulting from corporate mergers and acquisitions between 1962 and 1984, including foreign mergers and acquisitions. Their data shows that foreign companies acquired firms in Toronto and Montreal more frequently than did domestic firms (Ibid., 257; 262). Green and McNaughton note their results reinforce the findings of previous researchers, that internationally based companies tend to invest in core regions. However, they do not address whether the urban and regional bias of foreign investment in Canada is greater than that in other developed capitalist countries.

On the other hand, McNaughton (1992a, 56) reports that foreign subsidiaries already present in Canada located additional investments in Canada’s economic ‘core’ in the same proportion as do domestic firms.168 If so, this also raises the relevance of firm ‘nationality’ in explaining urban and regional polarity. While the sub-national scale of analysis that characterizes these studies is an important complement to the national scale, the absence of comparative data from other countries makes it difficult to identify the significance of foreign investment as opposed to investment in general.

A related characteristic of most of the geographic literature on foreign investment in Canada is its focus on microeconomic (rather than macroeconomic) processes. McNaughton (1992a) argued that foreign firms already present in Canada have a more spatially diverse investment pattern than new foreign investors because the former benefit from more experience and first-hand information regarding the business conditions (especially risks) outside ‘core’ areas. New U.S. investments are also more spatially diverse than other new foreign investments, though McNaughton (1992b) shows they are still concentrated in a few key cities, especially Toronto.

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The micro-economic analysis of investment location is also the focus of several studies by geographers of outward FDI (or Canadian direct investment, CDI). MacPherson and McConnell (1992) use company surveys to identify the factors motivating CDI in western New York State. The factors include a presence inside the U.S. market, proximity to parent and subsidiary companies, the local labour force and access to transportation networks. They also found that Canadian firms investing in western New York State did not consider the Canada-US ‘free’ trade agreements to be a major factor in their decisions. Meyer and Green (1996a, 1996b) claim to identify the “determinants” of CDI through regression analysis of individual location decisions of Canadian firms investing abroad. They found that the number of Canadian subsidiaries in foreign countries is significantly related to the size of the national market and established trade relations with Canada. Large markets, trade links, large labour forces, high pay rates and low crime rates are also positively associated with the number of Canadian subsidiaries located in states of the U.S.

A micro-economic focus can add to our understanding of the significance of foreign control. For example, MacPherson and McConnell’s (1992) finding that ‘free’ trade agreements were not a significant factor in CDI to New York state seems inconsistent with the dependency claim that these agreements significantly contributed to further continental economic integration, and so also further foreign control. However, a micro-economic focus does not address the main points on which dependency and imperialist models of Canada disagree, most of which concern the macro-economic characteristics of national economies.

A third general characteristic of the geographic literature on FDI in Canada is that, given this sub-national and micro-economic orientation little use has been made of the official data on foreign control in Canada as a whole, or the official national data on FDI. McNaughton’s (1992a; 1992b) studies of regional and urban patterns of foreign investment use figures from Investment Canada, the federal agency that monitors, reviews, and promotes foreign investment in Canada. The advantage of the Investment Canada data is that it can be partly disaggregated spatially, while official Statistics Canada data on FDI is only available for Canada as a whole.

As McNaughton (1992a) notes, however, these figures are based on reports to Investment Canada of investment intentions, not investments actually made. This is a serious limitation. In addition, Investment Canada’s definition of FDI is quite different from the conventional definition used by Statistics Canada and most international agencies. For example, Investment Canada’s definition is broader in that it includes non-resident investments financed within Canada (Statistics Canada’s FDI does not), but it is narrower in that it only includes new business operations and acquisitions, not expansions of existing foreign-owned enterprises (Statistics Canada’s FDI includes all direct investments financed from outside Canada). Finally, Investment Canada and Statistics Canada have different definitions for who is a non-resident and non-Canadian (see Investment Canada, 1992a, 1992b).

Fortunately, Statistics Canada data on foreign control of corporations at the national scale has now been broken down by province, offering a partial alternative to Investment Canada data for analysis of foreign investment at provincial scales (Statistics Canada, 1995b). This data will be briefly discussed in Chapter 5.
A similar problem results from the fact that the Investment Canada data on which McNaughton’s (1992a; 1992b) analysis is based is expressed in terms of the number of investments rather than their dollar value. Since the dollar value of investments varies over time and by industry sector, patterns based only on the number of investments may not be very representative. Meyer and Green’s (1996a; 1996b) regression analysis of the “determinants” of CDI is also based on the number of Canadian owned subsidiaries in each country, not their value. Using national level data on the dollar value of CDI would likely yield different results. For example, Meyer and Green report that Australia hosted the third largest number of Canadian subsidiaries abroad in 1992, while Japan ranked low by this measure of CDI. However, when ranked by the dollar value of CDI, Japan was third on the list, ahead of Australia (Statistics Canada, 1995c, 56).

Semple (1996) discusses foreign control in Canada in connection with quaternary places (locations of corporate headquarters). He found that foreign cities controlled 15% of the assets of large financial corporations in Canada in 1989, and 34% of the assets of large non-financial corporations. At the same time, Toronto and Montreal each controlled more financial assets than all foreign cities combined, and together they controlled more non-financial assets than all foreign cities combined (calculated from Ibid., 368-69).

Nahm and Semple (1995) approach the issue of foreign control in terms of the role of Canadian cities as control points for world investment. They found that Toronto and Montreal rank 16th and 18th respectively as centres of control over the combined revenues of the world’s top 800 non-financial multinational corporations. Canadian cities also ranked 9th in the world in a measure of the importance of corporate centres relative to their subsidiaries. These city-level studies of inward and outward FDI may be compared with the national-level data discussed in Chapter 5. For example, while Semple’s (1996) rate of foreign control of financial assets is similar to that in official Statistics Canada data, the difference is larger in the case of non-financial assets.

While the sub-national and microeconomic focus in most geographic research on FDI in Canada provides a useful dimension of the issues in question, it would arguably benefit from being placed in a clearly defined national and macro-economic context. For example, this literature has not addressed what may be different about foreign investment in Canada and in other countries. This is why Chapter 5 below focuses on the national scale of analysis, and relies on official Statistics Canada and other national sources of data.

4.2.5 Foreign direct investment from Canada

Having reviewed some of the issues of foreign investment and control in Canada, I will now turn to the other direction taken by investments, namely outward foreign investment from Canada. Ownership of extensive foreign investments is not usually associated with dependent countries; it is considered more characteristic of imperialist countries.

As Niosi (1985, 7) emphasizes, the dependency model’s concern regarding foreign investment has been almost exclusively focused on its effects in Canada, with very little attention given to outward Canadian direct investment (CDI). Some of the exceptions are Levitt (1970), who detailed the extensive Canadian banking and mining holdings in the Caribbean, Chodos (1977), who similarly detailed the hegemony of Canadian banks in some islands in this region, and
Dramien and Swift's (1975) account of the long history and extensive role of Canadian-owned Brascan Ltd. in Brazil.

Canada's 'go-between' role?
However, these writers did not conclude that this record meant that Canada was imperialist in its own right. Naylor (1972, 34) instead described the long record of CDI in Latin America and the Caribbean as "branch-plant quasi-imperialism". Levitt (1970, 103) concluded that Canada was an example of the "...range of intermediate situations, where one country stands, at one and the same time, in a metropolitan relation to some countries and in a hinterland relation to others." Dramien and Smith (1975) grouped Canada with Israel, Iran and South Africa as a "sub-imperial" power, writing that Canada is very successfully able to utilize the conventional mechanisms of imperialism (aid, trade and investment) to drain resources from Latin America and the Caribbean for the ultimate benefit of the main imperialist centre, the United States (Ibid., 9). Clement (1977, 161) argued that the pattern of Canadian foreign investments was essentially a holdover of its British colonial links, and that "...overall...it would not be correct to view Canadian capitalists as imperialists in their own right."

In addition to these arguments about the nature of CDI, dependency-influenced writers have often argued that statistics on CDI exaggerate its real extent by including investments by foreign corporations operating from Canada. An example is how Clement approvingly cites Galtung's (1971) 'structural' theory of imperialism, in which foreign investment by some countries performs a 'go-between' role for other larger powers. Specifically, he writes that,

...a great deal of 'Canadian' foreign investment in the 'Third World' and elsewhere is of this go-between type; that is, much of the investment flows from firms in Canada which in turn are subsidiaries of other companies controlled outside Canada. (Clement, 1977, 23)

Hurtig (1992, 91) makes the same point, writing that, "a great deal of so-called Canadian investment in the United States is not Canadian at all". He writes that in 1987, "some 24.5% of all so-called Canadian investment abroad was made not by Canadians but by foreign corporations that were investing in Canada for all kinds of reasons". Hurtig goes on to claim that, "[B]y 1992, possibly some 35% of the so-called Canadian investment abroad was really American, British, European or Asian." (Ibid.)

CDI and Canadian imperialism
Foreign investment from Canada (CDI) is a key element of characterizations of Canada as imperialist. In general, writers from this perspective have emphasize that the scale of Canadian investments abroad, especially to developing countries, make it implausible to consider Canada a dependent country.

Moore and Wells (1975, 23) noted that in a Financial Post listing of the top 300 non-US industrial corporations in the world in 1972, Canada had more entries than Spain, Holland and Belgium combined. Its 17 companies clearly placed Canada in a different league than Argentina, with only two, and Brazil, with only one. Moore and Wells argued that, even if it was true that some 'Canadian' companies with significant minority ownership by foreigners were instead considered foreign, Canada would still have more companies on the list than Spain, Holland,
Italy or Belgium. They also noted that five Canadian banks were among the largest fifty banks in the world. Finally, they emphasized that in 1969 Canada invested a higher percentage of its GDP abroad and held more investments abroad per capita than all other countries except the U.S. and Britain. (Ibid., 24-45)

Moore and Wells described Canada’s foreign investment as small in absolute terms but emphasized that it was growing. However, Niosi (1985, 7) pointed out that “in absolute terms, Canada is one of the world’s largest capital exporting countries. In 1971 it was in sixth place, behind the United States, Britain, France, West Germany and Switzerland.” In reply to pessimistic accounts of Canada’s world corporate profile, he cited a rather impressive list of Canadian multinationals. They included:

...the second largest aluminum producer (Alcan), the largest shoe manufacturer (Bata), the largest and third largest distillers (Seagram and Hiram Walker), North America’s largest telecommunications supplier (Northern Telecom), the world’s fourth largest producer of farm machinery (Massey-Ferguson), the largest producer of business forms (Moore Corp.), the largest two nickel producers (Inco and Falconbridge), the second largest lead-zinc producer (Cominco), and a company that produces 10% of the world’s synthetic rubber (Polysar). (Ibid., 58)

Niosi also reported that over half of the CDI was held in the U.S. In 1977, Canada was the third largest investor in the U.S., second in Britain, fifth in Brazil and second in a number of Caribbean countries. The proportion of CDI in underdeveloped countries was increasing, and an earlier sectoral concentration in utilities and commercial ventures was shifting towards mining, petroleum and financial sectors. (Ibid., 47-48) In short, Niosi underlined a number of ways in which Canadian foreign investments were very similar to those in leading imperialist countries. He further pointed out that CDI was growing faster than was FDI into Canada.

Non-resident equity in CDI
I noted above that one reason that dependency writers diminish the significance of Canadian foreign investment is that some of it really represented non-Canadian interests. The issue of ‘third party’ investments being counted in data on CDI is clearly an important point. Until recently, this foreign portion of CDI was partly captured in Canada’s international balance of accounts under the liability side as the value of “non-resident equity in Canadian assets abroad”. It was included here to offset the portion of foreign-owned assets that are similarly included under Canada’s foreign assets. However, in 1986 this separate accounting was discontinued. Hurtig (1992, 91) claims this was due to budget constraints, but Statistics Canada’s explanation is that by 1987 up to 60% of this amount was actually invested by corporations that were under Canadian control. They argued this obviated the original purpose of a separate accounting premised on such investments being under foreign control (Statistics Canada, 1990b, 22).

Niosi (1985) quotes Statistics Canada figures showing that in 1965, Canadian firms owned only 56% and controlled 64% of total CDI. However, by 1980, these proportions had risen to 65% by ownership and 85% by control. (Ibid., 49) More recently, Chow (1993) calculated the “foreign-controlled share of Canadian direct investment”, apparently by segregating the portion that was Canadian-controlled. His data showed that the foreign-controlled share of CDI declined from 37% in 1969 to a low of 12% in 1987. It then rose to 16% in 1989 and 18% in 1991. Chow
suggests the rise after 1986 reflected relative weakness in earnings and extraordinary write-downs by Canadian corporations abroad, and the restructuring by US companies that placed investments in third countries on the books of subsidiaries in Canada. (Ibid., 4.5) In any case, his estimates of the foreign portion of CDI in the recent period are considerably less than the 35% claimed by Hurtig that I quoted above.

It is clear that what is recorded as CDI does include a substantial amount that is foreign-owned, and a smaller portion that is foreign-controlled. However, dependency writers have often exaggerated the extent to which this is true. In addition, this issue also requires a comparative perspective. No information has been cited on what portion of outward FDI in other countries is also owned and controlled by third parties. When discussing the significance of the foreign portion of CDI, it should be established how unusual Canada is this regard.

Retained earnings
Another important issue that has been raised in evaluating the relative scale of CDI is the treatment of earnings retained by foreign firms in the host country, i.e., profits that are re-invested in the enterprise rather than being sent to the foreign parent. Some countries (including the US) include these amounts in their estimates of inward and outward investment on a flow basis, while others do not (including Canada, until recently).

MacPherson (1996) noted that in recent years the flow of CDI (outward Canadian FDI) was greater than the flow of FDI into Canada, suggesting a reversal of Canada’s historic role as a net recipient of FDI. However, when totals for retained earnings were included in flows of CDI and FDI (he cited data from 1970 to 1982), the latter was still greater than the former. During these years, total earnings retained in Canada by foreign direct investors were 27 times as much as the total flow of new inward FDI (Ibid., 72, citing data from Rugman, 1987). MacPherson emphasized that Canada was thus still a net recipient of FDI, and he reinforced this conclusion by also noting that “considering book [i.e. stock] values for FDI...we see that foreigners own more of Canada than Canadians own abroad.” (MacPherson, 81) However, as I will discuss in Chapter 5, data that is more recent exhibits a different pattern.

4.3 Summary of the issues requiring clarification
This chapter has reviewed past discussion on the significance of foreign investment and control in characterizing Canada as either a relatively dependent country or an imperialist country. It considered points related to inward investment and outward investment, regional aspects of foreign control and the data sources used in these debates.

4.3.1 Foreign control in Canada
The key point that emerges regarding inward foreign investment is that the dependency model assumes there is a very high rate of foreign control in Canada. Critics of dependency generally assume a lower rate of foreign control exists, but they also see FDI in Canada as broadly characteristic of advanced capitalist countries, not proof of dependency. Critics of dependency also point out that, contrary to dependency expectations, rates of foreign control declined substantially from their peak levels in the early 1970s.
It is evident that greater clarity is required on what the various figures on foreign control actually measure. In addition, traditionally, only foreign control in non-financial industries in Canada has been considered in these discussions. Data is now available on financial industries (and so for the corporate economy as a whole) to apply to this debate. Extending previous examination of the trends in foreign control to include the period since ‘free’ trade took effect can also test perceptions of Canadian dependency.

Neither side in this debate has provided much evidence on how the levels of inward foreign control in Canada compare to those in other countries. While direct estimates of foreign control like those discussed above are not available for other countries (or are collected on a different basis), an alternative index of foreign control is offered by the ratio of inward FDI stock to GDP.

4.3.2 Canadian investment abroad
Canadian direct investment abroad is generally overlooked or minimized as a significant aspect of Canada’s role in the world in dependency accounts. In the dependency model, CDI is often described as representing the interests of other imperialist powers, like the US or UK, whose corporations use Canada as a base for operations in third countries. The imperialist model places great significance on Canada’s sizable export of capital to the world, including to third-world countries. However, few systematic comparisons have been made of Canada and other countries.

The main empirical opportunity in this area is to update previous evaluations of the significance of CDI in both absolute and relative terms, using Statistics Canada data and UN or OECD compilations of the data for other countries. In addition to comparing the general scale of outward FDI in Canada and other countries, its concentration in both third world countries and the United States is relevant. Investment in third world countries is often associated with an imperialist role, while the ‘continentalization’ implied by extensive FDI between Canada and the US may reflect the degree to which Canadian capital lacks an independent national character.
Chapter 5: Evidence on foreign investment and Canada's status

The ink was had hardly dried on this literature [1970s Canadian political economy] when (as we know now) there was a considerable decrease after 1970 in foreign (mostly American) ownership and control of the Canadian economy relative to Canadian ownership and control. This outcome raises the possibility that the Canadian capitalist class is now -- and perhaps long has been -- more impressive than some of us have thought.

-- Mel Watkins (1997, 29)

5.1 Introduction
This chapter discusses the results of a largely empirical investigation of the relation between foreign investment and control and Canada's political-economic status. The general issue explored is whether the extent of and trends in foreign investment and control are more consistent with the model of Canada as a dependent country, or the model of Canada as an imperialist country. In the last chapter, I discussed the counterposed views of supporters of each model. Here I try to clarify and resolve some of the differences by taking advantage of more recent and more complete data than was available in the past.

Because this effort is primarily empirical, and because confusion over the use of data has been widespread in the past, I first discuss the data sources that are available in Section 5.2. I then investigate inward direct foreign investment and control, regional aspects of foreign control, and outward direct foreign investment and control in Sections 5.3 and 5.4. I briefly discuss foreign portfolio investment in Section 5.5. Section 5.6 summarizes these results.

5.2 Data sources
This section will summarize the main sources of available data, their basis of measurement and their coverage. This information is summarized below in Table 5.1.
Table 5.1: Data sources on foreign investment and control in Canada

<table>
<thead>
<tr>
<th>Measure</th>
<th>Source</th>
<th>Period</th>
<th>Sectors</th>
<th>Units</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign control in Canada</td>
<td>Statistics Canada, CALURA</td>
<td>1965-1999</td>
<td>All non-financial industries</td>
<td>Book value of assets or</td>
<td>50% of shares or 33% in a block larger than the next two</td>
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<tr>
<td></td>
<td></td>
<td>1983-1999</td>
<td>All financial industries except</td>
<td>revenues</td>
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<td></td>
<td></td>
<td>investment and holding companies</td>
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</tr>
<tr>
<td>Foreign control by province</td>
<td>Statistics Canada, CALURA</td>
<td>1975-1991</td>
<td>All industries except investment and</td>
<td>Book value of assets or</td>
<td>50% of shares or 33% in a block larger than the next two</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>holding companies</td>
<td>revenues</td>
<td></td>
</tr>
<tr>
<td>Ownership of capital employed</td>
<td>Statistics Canada, CIIP</td>
<td>1926-1994</td>
<td>Non-financial sectors</td>
<td>Book value of capital</td>
<td>If minority position may be controlled in other country</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>employed</td>
<td></td>
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<tr>
<td>Control of capital employed</td>
<td>Statistics Canada, CIIP</td>
<td>1926-1994</td>
<td>Non-financial sectors</td>
<td>Book value of capital</td>
<td>Control defined by majority ownership</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>employed</td>
<td></td>
</tr>
<tr>
<td>Inward and outward FDI stocks and</td>
<td>Statistics Canada, CIIP;</td>
<td>1926-1999</td>
<td>All sectors</td>
<td>Book value of investment</td>
<td>10 percent or more of investment is foreign owned</td>
</tr>
<tr>
<td>flows</td>
<td>UN, OECD</td>
<td></td>
<td></td>
<td>when crossing border</td>
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<td></td>
<td></td>
<td>most since</td>
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<td>Some variation in definition</td>
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<td>1960s</td>
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<tr>
<td>Inward and outward portfolio</td>
<td>Statistics Canada, CIIP;</td>
<td>1926-1999</td>
<td>All sectors</td>
<td>Book value of investments</td>
<td>No control assumed, most is bonds</td>
</tr>
<tr>
<td>investment</td>
<td>UN, OECD</td>
<td>from 1950s</td>
<td></td>
<td>crossing border</td>
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</table>

5.2.1 Foreign direct investment (FDI)

This study focuses on direct investment (FDI), and the economic influence or control that such investments imply. In contrast to foreign portfolio investment (discussed below), FDI is defined as investments where the resident of a foreign country exercises (or can exercise) significant managerial influence or control over that investment in the host country. The benchmark applied by most countries to designate direct investment is ownership of 10% or more of relevant debt and equity.

FDI is often cited as an indication of foreign economic control, but when used this way, a number of aspects of this definition must be kept in mind. One point is that the dollar value of FDI refers only to the foreign-owned debt and equity. It does not reflect the total value of the investment where there are domestic partners. The latter may even own sufficient equity to control the 'foreign' investment in question. A second point is that FDI is an international balance of payments measure, i.e., it is a record of money crossing national borders, and so does not include amounts borrowed by foreigners or foreign firms within the host country. For example, a 'foreign takeover' of a Canadian company by a foreign firm in Canada that is financed entirely by banks in Canada (as is often the case) is not counted as FDI. Thirdly, the amount of FDI reflects the original book value of such investments, not the current market value.
Neither depreciation nor internal growth are taken into account (and in some cases, not retained earnings). Given Canada’s long history of FDI, these are important considerations when FDI is compared to variables expressed in terms of current market value, such as GDP.

FDI is often expressed in terms of the annual flow of new FDI, that is, the value of new foreign investment entering Canada during a given year. At other times, however, FDI is reported in terms of stock or cumulative book value. One important difference between the stock and flow measures in Canada concerns earnings that are retained (invested internally) in the host country. In Canada, the data on annual flows of FDI has traditionally excluded retained earnings, because they do not cross the border in or out of Canada. However, retained earnings are included in the stock values of FDI and, in fact, they usually contribute more to the changes in stock value from year to year than do flows of new FDI. The substantial size of retained earnings relative to new FDI flows will be discussed further below, in connection with the relative size of Canadian FDI (CDI) and FDI in other countries.

The official Statistics Canada data on FDI should not be confused with the figures on ‘foreign investment’ from Investment Canada, the federal agency responsible for promoting and monitoring foreign investment in Canada, and reviewing acquisitions greater than $150 million (and in certain sectors, e.g. ‘culture’). Investment Canada succeeded the Foreign Investment Review Agency (FIRA) in 1985, and reviews a narrower range of foreign investments than did FIRA. As discussed in Chapter 4, the definition of FDI Investment Canada uses is different than the conventional one. It also compiles reports of investment intentions, not investments actually made.

The absolute growth of FDI is often been cited as an indication of growing foreign control of the Canadian economy, along with related measures, like the absolute amount of repatriated profits or royalty payments (e.g., see Hurtig, 1992). However, it is arguably the relative scale of FDI that is most relevant here. One difficulty with using FDI as an indicator of the extent of foreign control is the absence of data on total investment with which to compare it to. As a result, the accumulated stock of FDI is often compared to the annual ‘flow’ of GDP (or GNP), especially for international comparisons.

However, when making such international comparisons it should be noted that FDI has been defined in different ways in different countries, especially in the past. For example, unlike Canada, the US data on FDI includes short as well as long term debt and equity, and it includes retained earnings in FDI flows (Rugman, 1987). France and Germany apply a 20% shareholding threshold to designate an investment foreign instead of the 10% used by most countries (OECD, 1988). Since FDI data reflects book rather than market values, current totals may underestimate totals in countries with long histories of FDI.

In recent years, international conventions have increasingly standardized the definition of FDI in various countries, and much better quality data is now available. The OECD publishes an annual catalogue detailing inward and outward stocks and flows of FDI in member countries (OECD, 1997a). The United Nations has published a multi-volume series on FDI by region in the world (United Nations, 1992 -1997). Data is available for Canada since 1926 from Statistics Canada (2000b), and partial data is available as early as 1900 (Viner, 1975 [1924]).
5.2.2 Foreign portfolio investment
Foreign portfolio investment (FPI) does not express significant managerial influence or control in the host economy by the foreign investor. The usual benchmark is ownership of less than 10% of the debt and equity of the investment in question. The largest component of FPI is generally the purchase of bonds. While FPI does not reflect direct (managerial) foreign influence in the host economy, it may reflect indirect influences, and the dollar value of FPI is significantly greater than that of FDI. I will thus briefly discuss FPI in Section 5.5 below.

5.2.3 Control of capital employed
Two series that are related to the data on foreign investment in Canada are the foreign ownership of capital employed and the foreign control of capital employed. Like the data on FDI, these series are derived from Canada’s international balance of payments accounts. Capital employed consists of long-term equity and debt (not including domestic borrowing), and control is generally defined as majority ownership.

The totals for foreign control include the Canadian-owned amounts in corporations under foreign control (and vice versa), while foreign ownership totals refer to both the amounts owned in both foreign and Canadian owned companies. Only non-financial sectors are covered by this source, and the early data in this series cover a narrower range of industrial sectors (see Statistics Canada, 1993b).

The data on ownership and control of capital employed in non-financial sectors has not been widely cited in recent decades, probably largely because the more authoritative and accessible CALURA measure (discussed below) became available in 1965. One difference between the capital employed series and the CALURA series denominated in terms of assets or revenues is the ownership threshold for control. In the capital employed series, control is generally defined by ownership of a majority of shares. In the CALURA series, in addition to majority ownership, control is allocated to owners of one-third of the shares in a block that is larger than the next two blocks combined. However, the trends in foreign control in the two series are very similar, with the largest variations in the early years of CALURA data (1965-1970) and after 1990 (calculations by author from Statistics Canada, 1996a; 1993b).

The main advantage of this series is its long period of coverage, extending back to 1926. Unfortunately, after reworking and consolidating this series on ownership and control of capital employed in non-financial industries between 1926 and 1992, Statistics Canada discontinued publication of this series in 1994.

5.2.4 CALURA estimates of foreign control
The source of data most frequently cited in discussions of foreign control in Canada is published under the Corporations and Labour Unions Returns Act (CALURA). This Act was originally adopted in 1962, and reflected growing concern by the Liberal government regarding foreign investment in Canada. It resulted in annual reports being prepared by Statistics Canada on the foreign share of control of corporate assets and revenues in Canada in non-financial sectors from 1965 onwards.174
The best general unit of measurement of corporate power is probably assets, though it should be remembered these are expressed in book value rather than current market value. Nominal rates of foreign control expressed in terms of revenues are usually higher than those expressed in terms of assets. One disadvantage of measures of foreign control expressed in terms of revenues is that they are more volatile than assets through the business cycle.

The CALURA measures were specifically designed to monitor direct foreign control in Canada, and are the most authoritative measure available. The main reason why CALURA data is preferable to FDI is that it focuses on the issue of control. While the definition of FDI is based on the idea of control (or at least significant managerial influence, e.g. representation on the Board of Directors), it is not a measure of control. FDI does not express the total value of foreign-controlled assets within the host economy (e.g. the share owned by Canadian partners, that result from internal growth, or that were acquired using funds borrowed within Canada).

CALURA uses surveys of corporations to identify who ultimately controls all their assets and revenues. Control is defined as the ability to make the strategic business decisions, generally the power to select the Board of Directors. In most cases, this is determined by ownership of a majority of voting shares. If there is no majority shareholder, control is assigned to minority shareholders who own one-third of total shares in a block that is larger than the next two blocks combined. Other possible means of control (e.g. interlocking directorships with other corporations) are also considered.

The residency of the controlling individual(s) or corporation determines nationality of control. In most cases, this is the location of the (ultimate) parent corporation’s headquarters, i.e., each subsidiary of a global enterprise is assigned the same country of control as its parent. Control is also designated foreign if a majority of shares are held among several foreign countries, and if Canadian and foreign ownership shares are equal. Where the ownership shares held in different foreign countries are the same, nationality is assigned by rank of their aggregate investment in Canada (for more details on these points, see Statistics Canada, 1996c).

Between 1965 and 1986, CALURA only collected data for non-financial industries. For the 1987 report, coverage was extended its coverage to include the financial half of the corporate economy (chartered banks, trust companies, insurance companies, investment and holding companies), with data back to 1983. One problem with the use of assets when expressing foreign control is that many financial assets are actually loans to non-financial industries, and so this measure reflects a degree of ‘double-counting’. Similarly, the assets and revenues of holding companies are also composed of the assets and revenues of their subsidiary companies. In order to avoid double counting, investment and holding companies were subsequently omitted from CALURA estimates of foreign control.

Beginning in 1988, a series of significant changes were made in the CALURA data methodology. They include adopting a new taxonomy of industries (for example, data is no longer available for the manufacturing sector as a whole); a shift from the unit of measurement from the corporation to the enterprise (the latter is a group of corporations controlled by a common parent corporation); shifting real estate from the financial to the non-financial industry grouping; changing how assets and revenues in other countries are considered; and excluding
government-owned enterprises\(^{175}\) (on these points see Statistics Canada, 1995a, and Statistics Canada, 2001a\(^{176}\)). The net effect of these changes has been to alter the nominal rate of foreign control reported by CALURA by up to two or three percentage points.

In addition to reporting on foreign control of various industries in Canada, CALURA sometimes also reports data for the largest 25 to 100 enterprises in Canada. Since enterprises are composed of corporations controlled by a common parent company they often include corporations in different industrial sectors, and these largest enterprises in Canada reflect the considerable concentration that is characteristic of this economy.

Statistics Canada also publishes an annual catalogue titled Intercorporate Ownership (Statistics Canada, 1997b) which details the nationality of control of virtually every corporation in Canada grouped in terms of its membership in an enterprise structure (if any). In addition to these ‘official’ sources of data from Statistics Canada, the leading business newspapers in Canada compile annual listings of the ‘top 500’ or ‘top 1000’ corporations in Canada (e.g., Globe and Mail, 1999, Financial Post, 1999, Canadian Business, 1999). These listings include some information on the nationality of their ownership. I use these sources in Chapter 7 to discuss the structure of capital in Canada.

5.2.5 Data at urban and regional scales
I noted that Investment Canada uses a different definition of FDI than Statistics Canada and most countries. This data has been used by some researchers because it can be partly disaggregated spatially. An alternative to the Investment Canada data for regional analysis of foreign investment between 1975 and 1991 recently became available (Statistics Canada, 1995b). This source breaks the CALURA national data on control of revenues to the level of the province by allocating corporate revenues on the same basis as corporate taxes are allocated, i.e., using a combination of revenues and employment in each province.

5.2.6 Summary of data sources
The best estimate of foreign control in Canada is provided by the CALURA measure, but it is only available since 1965 for non-financial industries, and since 1983 for all industries. Control denominated in terms of assets is a more stable variable than by revenues or profits. The period before the CALURA measure is available can be addressed using the series on foreign control of capital employed in non-financial sectors available since 1926, or by data on FDI, which covers all sectors of the economy. There is no equivalent to the CALURA data on foreign control for other countries, so the best basis for international comparisons of direct foreign control is an index composed of the ratio of FDI stock to GDP.

5.3 Foreign control in Canada
The sections below investigate various aspects of foreign control in Canada that have been cited in the past as relevant to Canada’s status. Where possible, I take advantage of new sources of data, and I focus on whether it upholds the past expectations or predictions of the dependency model or the imperialist model of Canada.
5.3.1 Exaggerations of foreign control
As was noted, the best estimates of foreign control in Canada are produced under the Corporations and Labour Unions Returns Act (CALURA). Figure 5.1 below illustrates the official CALURA estimates of foreign control and US control of corporate assets in non-financial, financial (finance and insurance) and all industries in Canada in 1998. The rate of foreign control in these industries were, respectively, 24.3%, 17.6%; and 21.0%. The rates of US control Canada were 15.9% in non-financial industries, 6.7% in financial industries and 11.4% all industries. (Statistics Canada, 2001a, 97-99)

Figure 5.1: Foreign and US control of corporate assets in Canada, 1965 and 1998

The first point to make here is simply that these rates of foreign control are significantly lower than those often cited as representative by dependency writers. For example, Saul (1997, 158) refers to the level of American ownership as “officially some 25% of the economy”, and the Council of Canadians (1998, 13) state that the “percentage of Canadian industries [that] are either foreign owned or foreign controlled” is 56%. These rates are about twice the corresponding CALURA rates for all industries in 1998 depicted in Figure 5.1.

The main reason for this discrepancy is probably the sectoral coverage in question. The rate of foreign control in non-financial industries has traditionally been used to describe the extent of foreign control in Canada, and it is notably higher than in financial industries and all industries. In the case of US control, this difference in rates by industry group is even greater. The one-sided focus on non-financial corporations excludes consideration of the nearly one-half of the total corporate assets in the Canadian economy that are controlled by financial corporations. 177

Figure 5.1 also includes the official CALURA rates of foreign and US control in non-financial industries in 1965, and estimates of the rates in financial and all industries, calculated using partial data in early CALURA reports. 178 The latter show that the difference between non-
financial and financial rates of foreign control was greater in the early 1960s, and greater again in the case of US control. Official data on the financial and all industry rates of foreign control was not made available in CALURA reports until 1991. This absence of official data for the financial half of the economy has facilitated the quoting of overly dramatic statistics concerning foreign (and especially US) domination of the Canadian economy.

However, while the absence of official data on the financial half of the economy is a technical reason for restricting attention to the non-financial half of the economy, the real reason is arguably conceptual. It has always been recognized that financial institutions in Canada are relatively large and heavily Canadian controlled. However, the significance of this has been widely misunderstood. As I will discuss in more detail in Chapter 6, the traditional Canadian political economy view is that Canada has been 'stamped' by a division or even rivalry between an 'overdeveloped' Canadian-dominated mercantile-finance sector of capital, and an 'underdeveloped' foreign-dominated industrial sector. In other words, it is assumed that Canada never developed the independent finance capital characteristic of imperialist economies, that is, the fusion of industrial and financial capital capable of hegemony in the domestic economy (see Watkins, 1997, 28).

The result has been a serious underestimation of the extent to which the Canadian bourgeoisie controls the Canadian economy as a whole. Instead of recognizing the power that flows from control of the financial side of Canadian finance capital, attention is focused on foreign ownership in industry. Canadian capitalists are 'underestimated', and simultaneously foreign (particularly US) capitalists are 'overestimated'.

A related point is that high rates of economic concentration or monopoly in Canada are often associated with foreign control rather than with Canadian finance capital. A cardinal point ignored in such accounts is the weight of Canadian capital within the very largest and most powerful enterprises (corporations grouped under common control) in Canada. In 1998, the largest 25 enterprises in Canada accounted for 41.2% of all corporate assets in the country. The share of these assets that was foreign controlled was only 4.9% (Statistics Canada, 2001a, 38). This hardly accords with the dependency image of the main levers of economic power in Canada held in foreign hands.

Table 5.2 below details the rates of foreign and US control in the individual industries in Canada in 1998. There are two industries where foreign control of assets exceeds 50% -- chemicals and textiles (65.9%), and transportation equipment (52.8%). However, in most industries, a substantial majority of corporate assets are under Canadian control, notable energy (80% Canadian), communications (91% Canadian) and deposit accepting institutions, i.e., banks (88.5% Canadian).

The extension of CALURA coverage to include financial corporations should prompt changes in the traditional image of Canada that has one-sidedly emphasized non-financial sectors. In place of frequently exaggerated claims of foreign control, more attention should be given to official CALURA estimates that the proportions of foreign and US control of all corporate assets are less than one-quarter and one-eighth respectively. The overwhelmingly Canadian control of the very largest enterprises in Canada is another argument against extravagant claims of foreign economic
domination. While foreign control is higher in certain key industries (e.g. auto, petroleum), this fact should be placed in the context of overall Canadian control.

Finally, it may be noted that the CALURA rates of foreign control exclude the assets of individuals, unincorporated businesses, institutions and governments (most notably, of crown corporations). If the latter were included, the nominal rates of foreign and US control would be in the order of half the rates discussed above.\(^{181}\)

### 5.3.2 Trends since the 1970s contrary to dependency expectations

If the absolute level of foreign control is lower than usually thought, what about trends over time? Figure 5.2 covers the period since 1965, with a break in the series in 1988 that results from a change in the methodology used to estimate control. The 1988 changes include differences in sectoral coverage and other points, but the trend for the whole period can be roughly detected by shifting the 1988-1998 values up or down according to the difference between the 1988 value in this series and the 1988 value in the previous ‘historical’ series.\(^{182}\)

**Figure 5.2: Foreign and US control of corporate assets in Canada, 1965-88 and 1988-98**

Source: 1965-1988 non-financial industry and 1983-1988 financial and all industry values are from Statistics Canada (1991a); 1965 financial and all industry values are rough estimates by author using CALURA data from Statistics Canada (1969) and Statistics Canada (1965); 1988-1998 values are from Statistics Canada (2001a). The overlap in 1988 values reflects changes in data methodology effective that year. …

**Declining trend from early 1970s to mid 1980s**

The trends in foreign control of corporate assets in Canada are quite different than the ‘pessimistic’ accounts that are typical of dependency accounts of the issue of foreign control. This is most striking in the decade and half after 1971, when foreign control of corporate assets in non-financial industries fell from 37.0% to 23.7% in 1986, and US control declined even more, from 27.4% to 16.7%. (Statistics Canada, 1991a, 126, 146)\(^{183}\)

The decline in foreign control also occurred in key individual non-financial sectors. In manufacturing, where foreign control has always been a central concern, between 1971 and 1986
the rate fell from 58.30% to 43.76% (and US control from 43.78% to 29.89%); and in mining, from 69.42% to 31.08% (and US control from 59.11% to 25.41%). (Ibid.) Over the same period, foreign control of petroleum revenues declined from 94.4% to 59.6% (Petroleum, 1992; in this sector, revenues are a better measure than assets).184

Figure 5.3: Foreign control of corporate assets or revenues, selected industries, 1965-1988

The substantial decline in foreign and US control of non-financial industries in Canada over this period is difficult to explain within traditional characterizations of Canada as a relatively dependent country. If the Canadian bourgeoisie is so divided and un-entrepreneurial how were they able to regain control over so much corporate wealth in this period? Most often, dependency writers have ignored CALURA results for this period, or they have dismissed the CALURA data methods, or the explanations raised have failed to fully acknowledge the rise in Canadian control.

I cited Kellogg’s (1991) criticism of Williams’ description of these trends in Chapter 4. In an updated edition of this book Williams removed his explanation referring to “mergers, government takeovers, and a few controversial reclassifications” (in Williams, 1983, 107), but he repeats that, “[D]uring the last four decades, American owners have controlled more than two-fifths of Canadian manufacturing and mining industries”. (Williams, 1994, 14) CALURA data shows that by 1987, US control of mining assets had declined to 24.4%, and of manufacturing assets to 29.2% (Statistics Canada, 1991a, 37).

Williams may have had in mind control expressed in terms of revenues and profits, where the nominal rates of US control are higher (though they still dip below two-fifths), and his focus is industrial policy rather than foreign investment. However, I think this author’s failure to address the decline in foreign control during this period is symptomatic of a broader tendency to sidestep
facts that are inconsistent with the dependency image of Canada. This seems particularly true given that the sections discussed here are described as having been “extensively rewritten to incorporate...new material”. (Williams, 1994, 9) On the other hand, some re-thinking may be indicated by the change in the subtitle of the 1994 edition of his book. Instead of “Towards a Political Economy of Canada’s Arrested Industrialization”, used in the first two editions, the 1994 edition is subtitled “The International Competitiveness of Canadian Manufacturing”. (Williams, 1994) In Chapter 4, I also quoted Mel Watkins’ acknowledgement of the decline in foreign control, and how Canadian capitalists were perhaps more “impressive than had previously been assumed”. (Watkins, 1997, 19) However, neither author has amended the analysis of Canada they previously offered.

Foreign control in the era of ‘free’ trade

In the 1970s, the image of Canadian dependency was largely based on the record of US investment, while in the 1980s and 1990s dependency-influenced perspectives shifted their focus to ‘free’ trade. Figure 5.2 shows that in the 1980s, the decline in foreign control halted and even began to reverse, so it is useful to examine these trends with the emphasis on ‘free’ trade in mind. As I noted above, nationalist opponents of ‘free’ trade alternatively anticipated rapid growth in foreign control or claimed it would precipitate massive US disinvestment, which would presumably lower rates of direct US control. They often also focused on mechanisms of foreign domination other than direct ownership and control. In any case, however, ‘free’ trade was seen as a sea-change in Canadian economics and politics. Is this perception supported by the trends in direct foreign and US control?

CALURA data shows that foreign control of all industry assets was 20.5% in 1988, the year before the Canada-US Free Trade Agreement (CUFTA) took effect. It actually dipped slightly below the 1988 rate in 1994, but then grew to 22.7% in 1998. US control after ‘free’ trade remained below the 1988 rate through the first half of the 1990s. After this time it rose to 13.5% by 1998, two and half percentage points higher than the value before ‘free’ trade came into effect. The average annual percentage point change in foreign control between 1988 and 1998 is less than a third of that from 1971 to 1986, when foreign control was declining. The overall change in foreign and US control under ‘free’ trade is thus relatively modest (at least until 1998), with the largest increases taking place in the last two years of this period.

It could be concluded that ‘free’ trade caused the reversal in the declining trend in foreign and US control noted above. One argument against this conclusion is that the shift in the trend of foreign control in both financial and non-financial sectors began several years before ‘free’ trade came into effect in 1989. This is more noticeable in the trend for non-financial industries in Figures 5.2 and 5.3, because data is available since 1965. In the case of financial industries, the CALURA data for foreign control of assets only extends back to 1983, although a different series indicates that foreign control of financial revenues began to rise that year, after having declined since 1975.185

Nor are significant changes attributable to ‘free’ trade very evident in industry-by-industry data on foreign control. Table 5.2 displays the CALURA estimates of foreign and US control for 16 individual industry sectors between 1988 and 1998. Of the 14 for which data is available, US control rose in 9 industries, and declined in 5 others. Foreign control increased in 8 industries
and declined in 6. It is difficult to point to provisions in the CUFTA or the North American Free Trade Agreement (NAFTA) that explain this sectoral pattern of change in foreign and US control. One example is 'energy' -- despite its prominent role in discussions of the FTA, foreign and US control of this sector has slightly declined since the FTA came into effect.

Table 5.2: Foreign and US control of corporate assets by industry, 1988 and 1998

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of total assets</th>
<th>Foreign control (%)</th>
<th>US control (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food (incl. food retailing), beverage and tobacco*</td>
<td>4.0</td>
<td>25.7</td>
<td>n/a</td>
</tr>
<tr>
<td>Wood and paper</td>
<td>2.8</td>
<td>27.2</td>
<td>31.5</td>
</tr>
<tr>
<td>Energy</td>
<td>11.2</td>
<td>23.3</td>
<td>20.0</td>
</tr>
<tr>
<td>Chemicals, chemical products and textiles</td>
<td>2.3</td>
<td>53.8</td>
<td>68.5</td>
</tr>
<tr>
<td>Metallic minerals and metal products</td>
<td>3.9</td>
<td>22.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Machinery and equipment (except electrical)</td>
<td>1.4</td>
<td>42.5</td>
<td>44.4</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>3.7</td>
<td>45.0</td>
<td>52.8</td>
</tr>
<tr>
<td>Electrical and electronic products</td>
<td>2.7</td>
<td>48.2</td>
<td>33.5</td>
</tr>
<tr>
<td>Construction and related activities</td>
<td>6.4</td>
<td>11.6</td>
<td>12.6</td>
</tr>
<tr>
<td>Transportation services*</td>
<td>2.4</td>
<td>5.7</td>
<td>n/a</td>
</tr>
<tr>
<td>Communications</td>
<td>3.3</td>
<td>9.9</td>
<td>9.0</td>
</tr>
<tr>
<td>Services</td>
<td>3.5</td>
<td>16.1</td>
<td>16.5</td>
</tr>
<tr>
<td>Consumer goods and products</td>
<td>2.5</td>
<td>20.2</td>
<td>28.8</td>
</tr>
<tr>
<td>Deposit accepting institutions</td>
<td>36.1</td>
<td>12.5</td>
<td>11.5</td>
</tr>
<tr>
<td>Insurers</td>
<td>7.6</td>
<td>31.7</td>
<td>31.3</td>
</tr>
<tr>
<td>Consumer and business financing and other financial intermediaries</td>
<td>5.8</td>
<td>28.2</td>
<td>44.1</td>
</tr>
<tr>
<td>Total non-financial industries</td>
<td>50.4</td>
<td>23.3</td>
<td>26.9</td>
</tr>
<tr>
<td>Total finance and insurance industries (excludes investment and holding companies)</td>
<td>49.6</td>
<td>17.3</td>
<td>18.4</td>
</tr>
<tr>
<td>Total all industries (excludes investment and holding companies)</td>
<td>100.0</td>
<td>20.5</td>
<td>22.7</td>
</tr>
<tr>
<td>Investment and holding companies **</td>
<td>11.1</td>
<td>14.5</td>
<td>15.6</td>
</tr>
</tbody>
</table>

Source: Statistics Canada (2001a, 81-99).
** Data is for 1994, and courtesy of V. Utovac, Statistics Canada.186

In other words, 'free' trade may also have contributed to the recent growth in rates of foreign control, but its effect has not been commensurate with the emphasis placed on this policy by dependency writers. It is possible the rise in foreign control of financial industries after 1983 is due in part to earlier changes in the Bank Act that eased some barriers to foreign participation in this sector from. Similarly, the scrapping of the National Energy Program probably contributed to the rise in foreign control in petroleum industries in the early-mid 1980s that is evident in Figure 5.3. The transformation of the Foreign Investment Review Agency (FIRA) into Investment Canada187 may also have had some effect, although, as I noted in Chapter 4, there is not much evidence that the FIRA process made much of a difference. The main point here is
that, instead of focusing on this or that government policy, the evolution of foreign control in Canada should be addressed within a broader framework that includes the general trends common to other advanced capitalist countries. Instead of re-applying the dependency model to new events, these events should be used to clarify Canada’s status as an imperialist country facing both the opportunities and vulnerabilities associated with deepening relations with its much stronger imperialist rival, the US.

In the analysis of the changes in foreign control offered by Statistics Canada, little attention is paid to ‘free’ trade, but several other relevant factors are identified. Statistics Canada analysts note the effect of the wave of corporate mergers and acquisitions, especially from 1987 to 1991. The net effect of mergers and acquisitions in this period would have been to raise foreign control of corporate assets by 1.4 percentage points if other factors had not moderated their impact (McMechan et al., 1992).

This was a period when nationalist opponents of ‘free’ trade often cited US acquisitions of companies in Canada as one of the negative consequences of the CUFTA. However, the US-controlled share of all assets actually declined in these years; it was mainly British and French control that grew at the expense of both US and Canadian control. This may have partly reflected desire by British and French corporations to acquire a larger base within the North American trade block. However, mergers and acquisitions in Canada were also very much part of a worldwide process of corporate restructuring in which Canadian capital was itself a significant player. According to Knubley et al. (1991), large Canadian firms had a greater tendency to cross-border acquisitions in the 1980s than corporations in other leading countries. In short, the nationalist preoccupation with Canada-US ‘free’ trade failed to address this broader context.

In general, mergers and acquisitions are a relatively minor factor in the change in foreign and US control in Canada. For example, despite the near-record high volume ($135 billion) in Canadian-to-foreign and foreign-to-Canadian merger and acquisition activity in non-financial industries in Canada between 1997 and 1998, this factor accounted for only one quarter of the one percentage point growth in foreign control that occurred (Statistics Canada, 2001a, 33-34). The main factor leading to higher rates of foreign and US control is the higher rate of internal growth and the relatively larger capital investments made in foreign as compared to Canadian-controlled corporations.

Statistics Canada has also shown that an important factor in short-term trends in foreign control is the pattern of recession and recovery. The Canadian share of revenues (and eventually, assets) generally declines with recessions, and then recovers when Canadian markets improve (Statistics Canada, 1993a, 16). More years of data and examination of other factors may clarify the impact of the recession in the late 1980s - early 1990s, but past experience suggests it was a significant factor underlying the nominal rates of control recorded. The relatively greater economic expansion in the US in the latter half of the 1990s probably accounts for part of the increase in US control, as US subsidiaries in Canada are often closely linked to their corporate parents or other associated corporations in the US.

In short, expectations of large shifts in foreign and US control attributable to the CUFTA and NAFTA do not seem to have been fulfilled. Between 1990 and 1998, the rise of 1.7 percentage
points in foreign control in all industries (Statistics Canada, 2001a) represents a notable 9%, but it is only towards the end of this period that a clear upward trend in foreign and US control is apparent. While there are no directly comparable figures for control in other countries, an indication of the trends in other countries is provided by the ratio of FDI to GDP (this measure will be discussed further below). I noted that nationalist opponents of ‘free’ trade associated both increases and decreases in foreign control with ‘free’ trade, but the former was probably most widely anticipated. International comparisons indicate that recent increases in foreign control in Canada are less than in most advanced capitalist countries. The FDI/GDP index of foreign control rose 21% in Canada between 1990 and 1998. This, however, was less than the 105% rise in all ‘developed’ countries, the 62% in the EU, and the 33% in the US (calculated from United Nations, 2000, 319).

What conclusions can be drawn from this data on foreign control since 1988? The rate of foreign and US control has increased in recent years, but by less of a margin than in many other countries. It is possible the effects of ‘free’ trade have been concentrated in other areas. However, it is arguably more logical to acknowledge that the traditional image of a vulnerable, dependent Canadian capitalism has proven faulty, just as it was regarding foreign control in the decade or two before ‘free’ trade.

This indirect evidence intersects with conclusions by some geographers regarding the weight of free trade agreements in the location of manufacturing industry and Canadian investment within North America. McPherson and McConnell’s (1992) findings on CDI were cited above; MacLachlan (1996,198) writes, “[A]t this early stage of implementation of the [CUJFTA there is no evidence of an exodus of foreign-owned branch plants; the level of foreign plant closings has remained approximately proportionate to their numbers”; and MacPherson (1996, 79) argues “…North American industrial production in the 1990s [will] surely reflect a set of basic locational trends that were well under way before negotiations began on the FTA and NAFTA.”

5.3.3 The longer view on foreign control
CALURA estimates of foreign control only go back to 1965, so we have to look elsewhere for a longer-term perspective on foreign control. Data on foreign ownership and foreign control of capital employed in non-financial industries has been collected for Canada’s international balance of payments accounts since 1926. These series on capital employed were reworked and published in a more accessible form a few years ago (Statistics Canada, 1993b). I noted above that capital employed consists of long-term assets and net working capital, but does not include domestic borrowing. Control is generally assigned on the basis of majority ownership.188

The capital employed measure of control is less precise than the CALURA measure, there are only observations for three years before WW2, and the earlier data covers a narrower range of industries. However, the two estimates of foreign control are similar in percentage values and year-by-year trends since 1965.189 It thus seems reasonable to accept the data on capital employed as a general index of foreign control in non-financial industries in the years before CALURA data is available. Figure 5.4 depicts the trends between 1926 and 1993 in foreign and US control of capital employed in non-financial industries in Canada (with adjustments to compensate for a change in data methodology in 1988). Unfortunately, data is not available after 1994.190
In the period before CALURA data is available, foreign and US control generally rose. However, after 1970, foreign and US control of capital employed declined substantially into the 1980s. While foreign control of capital employed then rose, it is notable that by this measure, US control in non-financial industries in 1993 dipped to the lowest rate ever recorded after 1926.

**Figure 5.4: Foreign and US control of capital employed in non-financial industries, and rate of FDI, all industries, 1926-1993/1995**

![Graph showing foreign and US control of capital employed in non-financial industries, and rate of FDI, all industries, 1926-1993/1995.](image)


Figure 5.4 also provides another view of long run trends in foreign control, the ratio of inward FDI stock to GDP that was cited above. According to this index, the 1995 rate of foreign control in the economy as a whole is similar to that in the early 1950s, and lower than in most years since 1926.

The capital employed and FDI measures of foreign control provide a valuable historical context for the discussion above of the CALURA series based on assets. Caution is required regarding the early data in these series, but they indicate that US control in the last decade is lower than it has been for much of the previous period since 1926. Instead of being overwhelmed by the substantial relative growth in FDI before 1970, Canadian capitalists were evidently able to regain a very significant portion of the now much larger base for accumulation.

In sum, and to return to the discussion above, these results point in a different direction than current portrayals by most dependency writers of the CUFTA, NAFTA and other ‘free’ trade agreements as the terminal stage in a long decline in Canadian economic sovereignty. They also shed light on the rise in Canadian control after 1970. Resnick (1990) suggests this marks Canada’s ascension to ‘core’ economic status. An alternative view is that this was not achieved recently; rather, Canadian finance capital further consolidated the hegemony they established early in the 20th century.
5.3.4 Regional aspects of foreign control
I noted above that one disadvantage of Statistics Canada data on foreign control is that control is only defined at the national scale. However, in 1995 Statistics Canada released estimates of foreign control of corporate revenues by province from 1975 to 1991. The provincial data is derived from the national data by allocating corporate revenues between provinces in the same way as corporate taxes are allocated, on the basis of the revenues generated and employees in that province relative to the total for Canada (Statistics Canada, 1995b, 51).

Compared to a national rate of 26% in 1991, foreign control of all corporate revenues was highest in Ontario, Alberta and B.C., (33%, 26%, and 24% respectively), and lowest in PEI and New Brunswick (9% and 13%). Between 1975 and 1991, the share of foreign control in Canada declined by 8%, with the largest declines in Alberta and Newfoundland (21% and 18%), and the smallest in B.C. and Ontario (both 5%). Figure 5.5 displays these rates of foreign control by province. It also depicts the extent of revenues controlled by government business enterprises, which range from 19.2% in Saskatchewan to 3.4% in Ontario, with the rate for all of Canada 5.8%. (Statistics Canada, 1995b, 8)

Figure 5.5: Foreign control of corporate revenues by province, 1991

Source: Statistics Canada (1995b, 16).)

Figure 5.6 below shows that most provinces are similar in that the US is by far the largest source of foreign control (except in PEI), followed by the EU (usually led by the UK), except in BC, and the Pacific Rim (usually led by Japan).

This provincial breakdown confirms that foreign control is generally greater in the ‘core’ or more prosperous provinces of Canada (e.g. Ontario) and lower in less prosperous provinces (e.g. PEI, Newfoundland). In addition to the proximity of the US, it appears that the location of control...
outside North America has some influence on the provincial distribution. For example, EU control is more prominent in the Atlantic Provinces and Quebec, and the Pacific Rim is prominent in BC.

As is well known, foreign control is concentrated in certain sectors, and this is reflected in the rates and source of control in those provinces hosting these sectors. In Ontario, US control in 1991 was greatest in transportation equipment (33.4% of total foreign revenues in non-financial industries), and in Alberta, US control is greatest in energy (50.05% of the total) (Ibid., 21).

**Figure 5.6: Origin of foreign control of corporate revenues by province, 1991**

![Bar chart showing the origin of foreign control of corporate revenues by province, 1991.]


However, in general, Canadian control predominates in every province in Canada, especially when government business enterprises are included in the total. The latter accounted for 5.8% of all corporate revenues in Canada in 1991, ranging from a modest 3.4% in Ontario to a substantial 19.2% in Saskatchewan (Ibid., 4; 64).

### 5.4 International comparisons of FDI

I argued above that there is a tendency to exaggerate foreign control, and showed that foreign and US control is currently lower than in many previous decades. How does the current level of foreign control in Canada compare with that in other countries? Here I will compare Canada with other OECD countries on the basis of rates of foreign direct investment. FDI is used because measures of foreign control in other countries are not comparable to the CALURA data. Despite various conceptual and technical limitations, FDI is a widely used measure that is available for most countries and which covers the whole economy. The ratio of the stock of inward FDI to host country GDP provides a general index of foreign control in the host economy.
5.4.1 Inward FDI

Figure 5.7 compares the ratio of the inward stock of FDI to the host country GDP in most developed countries and a sample of other countries in 1998. Canada's rate of inward FDI/GDP of 23.9% was notably higher than in most developed countries. At the same time, it is significant that the rates of foreign investment in Australia, the Netherlands, and Switzerland were higher than in Canada -- 28.1%, 48%, and 26.5% respectively. Canada’s inward FDI/GDP rate is marginally higher than the 23.3% in fellow G7 member, the UK, and not much higher than fellow ‘late industrializer’ Sweden at 22.5% (data from United Nations, 2000, 319-331).

This comparison indicates that high rates of inward FDI do not correspond to economic dependency as easily as has been often been suggested concerning Canada. It is particularly notable that Canada’s measured rate of inward FDI is very close to that in the U.K., which by any standard ranks as a ‘core’ or imperialist power. The adequacy of the FDI measure is always an issue in these comparisons, but the main point seems clear. While the levels of FDI in Canada are high by international standards, the margin by which this is true is considerably less than that often assumed. For example, Hurtig (1992, 55) indicates that the rate of foreign ownership in Canada is 4 times that in EC countries, and 6 times that in the US. Orchard (1993, 143) lists rates of foreign ownership in Canada of between 75% and 100% for various industrial sectors, and then writes that, “in contrast, foreign ownership of the United States economy is only 3%; of Britain’s 3%, Japan’s less than 2%; France’s 3%”. These depictions of the comparison between foreign control in Canada and in other advanced capitalist countries differ from FDI data in Figure 5.7 by orders of magnitude.

It is also notable that Canada is becoming more like other leading countries. Over the past two decades, the difference in the relative extent of FDI in Canada and other developed countries has narrowed significantly. The (unweighted) average rate of inward FDI/GDP in 24 developed countries almost tripled between 1980 and 1998, rising from 7.6% to 21.8%, while the increase in Canada was more modest, from 20.6% to 23.9% (calculations from United Nations, 2000, 319-331). Relatively high rates of inward foreign investment are increasingly the norm among developed capitalist and imperialist countries.
Figure 5.7: Ratio of inward FDI to host country GDP and outward FDI to home country GDP, 1998 (percent)

Source: United Nations (2000, 319-331)
5.4.2 Outward FDI

Dependency-influenced descriptions of Canada have focused almost exclusively on inward FDI, while outward Canadian FDI (or CDI) has received little attention. Figure 5.7 also compares rates of outward FDI stock among OECD countries in 1998. Canada ranks 5th among developed countries with a FDI/GDP rate of 26.9% (data from United Nations, 2000, 330). Sweden, Netherlands and Switzerland were far ahead, but Canada’s rate is substantially higher than G7 countries other than the UK.

This has been true for some time. In 1993, per capita Canadian outward FDI amounted to US$2914. By this measure, ‘Canadians’ ranked second in the G7 after the U.K. in their propensity to exploit workers in other countries, e.g., they were ahead of ‘Americans’ at US$ 2520 per capita and ‘Japanese’ at US$ 2292 per capita (calculated from World Forum, 1996).

I noted above that dependency writers have sometimes argued Canada is not an imperialist investor in its own right because some of what is officially recorded as CDI is actually by foreign-owned subsidiaries located in Canada. (Clement, 1977, 23) Until 1986, Canada’s international balance of payments reflected this foreign portion of CDI by segregating “non-resident equity in Canadian assets abroad”. However, by 1987 up to 60% of this ‘non-resident’ amount was actually invested through companies under Canadian control, and the separate accounting was discontinued (Statistics Canada, 1990a, 22). The non-resident share of equity in Canadian assets abroad peaked at 46% of CDI in 1965 and then declined to about 30% in 1986, which would be about 12% if the 60% rate of Canadian control is considered (calculated from Ibid., various years). Third party investment is also present in other country’s outward FDI (e.g. by US subsidiaries in Britain investing in Europe). While an important qualification in comparisons of FDI, the foreign share of CDI is unlikely to change the general pattern described here, that Canada is a world leader in terms of the rate of direct investments held outside the domestic economy.

It is clear that discussions of Canada’s political-economic status must include both the rate of outward investment and the balance of inward versus outward investment. While the level of inward of FDI in Canada is high, Canada’s stock of outward FDI is now even higher. This has long been true of other G7 members, while in Canada inward FDI was still greater than outward FDI until 1995. However, in Canada, outward FDI has increased significantly faster than inward FDI in the past decade or two. In the first half of the 1990s, for every $1.00 of FDI that flowed into Canada, there was $1.70 in outward FDI (CDI) that flowed out of this country (Statistics Canada, 1998b, 10).

I noted that Canada has traditionally excluded retained earnings from its data on annual flows of FDI. MacPherson (1996) argues that, despite the rise of CDI in recent years, Canada is still a net capital importer when these retained earnings are considered. However, more current data than he cites shows this is no longer true, and has not been true for some time. Between 1987 and 1997, new FDI flows plus reinvested earnings were less than new CDI flows plus reinvested earnings (calculated from Statistics Canada, 1998b, 37; 43). Thus, Canada is a net exporter of direct investment on a flow basis, even when retained earnings are included. On a stock basis (where retained earnings have been included for some time), the relative size of FDI in Canada and CDI to the world reversed in 1996. As of that year, Canadians held more direct investment...
abroad than foreigners do in Canada. In 1999, CDI stock totaled $257.4 billion while FDI stock in Canada totaled $239.9 billion (Statistics Canada, 2000b, 30-31).

While it is only recently that Canada has joined the other G7 countries in having more outward than inward FDI, it is apparent that Canada’s net FDI position has been quite different than most other countries who host large inward investments for some time. There are obvious differences between Canada and the ‘third world’ countries that also host large amounts of foreign investment (e.g. Zimbabwe’s inward FDI/GDP in 1998 was 15%, Brazil’s 17% and Saudi Arabia’s 22.7%). Unlike these countries, Canada is also a source of significant outward investment (e.g., the former counties’ rate of outward FDI/GDP were, respectively, only 4%, 1.3% and 1.3%). (Calculated from United Nations, 2000, 319-331)

Canada also appears to be in a different category than ‘peripheral’ capitalist countries like Spain, with which it has sometimes been compared (e.g. by Panitch, 1981). In 1998, inward FDI in Spain was almost twice outward FDI. Inward FDI was also two and half times outward FDI in Argentina, another country with which Canada has been grouped by dependency writers (see Ehrensaft and Armstrong, 1981).

In short, rather than focusing on inward FDI when discussing Canada’s status in the world, it is high rates of outward FDI that are arguably more characteristic of this country.

5.4.3 Canadian FDI in developing countries

One consideration when associating outward FDI with ‘core’ or imperialist status is foreign investment held in semi-colonial or ‘developing’ countries. Canada is the only member of the G7 to have never held external colonies, but is its FDI pattern very different from that of the traditional imperialist powers?

In 1990, about 14% of Canadian FDI went to ‘developing’ countries. This share is at the lower end of G7 rates: France 12%; U.K. 14%; Germany 15%; Italy 19%; US 25%; and Japan 32% (calculated from United Nations, 1993b). However, as noted above, Canada’s rate of outward FDI is above average. On a per capita basis, with almost US$400 FDI per Canadian held in ‘developing’ countries, Canada is in the middle of the G7 group, ahead of Germany, France and Italy (calculated from United Nations, 1993b and World Forum, 1996). The industrial composition of Canadian FDI in developing countries is broadly similar to that of traditional imperialist countries, including strong representation in finance, energy and mineral sectors.

Canadian corporations developed substantial investments in Latin American and Caribbean countries in the early decades of the 20th century. In 1994, Brazil hosted the largest amount of Canadian FDI, followed by Mexico, Argentina, the Dominican Republic, and Chile (Statistics Canada, 1995c). Table 5.4 shows Canada’s rank among G7 countries in terms of the amount of FDI in selected ‘developing’ countries, according to United Nations tabulations. Relative to other G7 countries, Canada ranked second in Bolivia, Dominican Republic, and Jamaica, and Peru; and third in El Salvador and Guatemala. Canada was 6th among the G7 in terms of FDI stock held in Latin America as a whole (calculated from United Nations, 1994).
Table 5.3: Canada’s rank among G7 in FDI held in ‘developing countries, circa 1990

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Country</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>6th</td>
<td>China</td>
<td>5th</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2nd</td>
<td>Hong Kong</td>
<td>6th</td>
</tr>
<tr>
<td>Brazil</td>
<td>5th</td>
<td>India</td>
<td>4th</td>
</tr>
<tr>
<td>Chile</td>
<td>4th</td>
<td>Indonesia</td>
<td>7th</td>
</tr>
<tr>
<td>Columbia</td>
<td>4th</td>
<td>Malaysia</td>
<td>5th</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>2nd</td>
<td>Pakistan</td>
<td>6th</td>
</tr>
<tr>
<td>El Salvador</td>
<td>3rd</td>
<td>Philippines</td>
<td>4th</td>
</tr>
<tr>
<td>Guatemala</td>
<td>3rd</td>
<td>S. Korea</td>
<td>6th</td>
</tr>
<tr>
<td>Jamaica</td>
<td>2nd</td>
<td>Vietnam</td>
<td>4th</td>
</tr>
<tr>
<td>Mexico</td>
<td>6th</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>2nd</td>
<td>all Africa</td>
<td>7th</td>
</tr>
<tr>
<td>Uruguay</td>
<td>7th</td>
<td>all West Asia</td>
<td>n/a</td>
</tr>
</tbody>
</table>


Statistics Canada (1995c) records that the largest Canadian direct investments in 1994 in Asia and Pacific ‘developing’ countries were in Singapore, followed by Hong Kong, Indonesia, Malaysia, south Korea and India. The volume of Canadian FDI in these Asia and Pacific countries was greater than that in the Americas, but UN data in Table 5.3 makes it clear that Canada’s relative weight in this region is somewhat lower. Of the G7 countries, Canada’s rank was fourth in India, Philippines and Vietnam, fifth in China and Malaysia, and sixth or seventh in the remainder. Canada’s investment profile in Africa is less prominent (last among the G7), and Canada is not listed by this UN directory as a foreign direct investor in West Asia (‘Middle East’).

Despite the limitations of this data (one example is that UN data reports less Canadian FDI in Indonesia than does Statistics Canada), it is evident that Canadian direct investment in many ‘developing’ countries is comparable with that of the traditional imperialist powers. When concerns are raised about the effects of foreign multinational corporations, Canadian companies deserve a higher profile. A case in point is Montreal-based Cambior Inc., and the ecological and social disaster caused by spilling 3.2 billion liters of cyanide-laced effluent from their gold leaching operations into Guyana’s Essequibo River in 1995 (see Recherches, 1997).

5.4.4 ‘Continental’ investment patterns

The final point examined here is what the data on FDI suggest about concerns regarding the ‘continentalization’ of the Canadian economy, that is, integration into a US-dominated economic block. First, while in 1970 the stock of CDI in the US amounted to only 14% of FDI from the US in Canada, this proportion has grown to 78% in 1999 (calculated from Statistics Canada, 2001b, 34, 40). In other words, it is Canadian investors who have been the more aggressive ‘continentalizers’. But does the growth in the value of investment from Canada really signify continentalization? Figure 5.8 shows that the US share of all FDI in Canada in recent decades is smaller than in previous levels. It also shows that the share of CDI going to the US has declined from 64% in 1988 to 52% in 1999 (Ibid., 34). These trends are more consistent with a process of internationalization of direct investment than of US-led continentalization.
Still, in 1999, the US accounted for 72% of total inward FDI in Canada and 52% of CDI (Ibid.), that is, Canada’s investment relations are concentrated with a single, much larger country. Table 5.4 compares ‘continental’ investment patterns in ‘North America’ and ‘Western Europe’ (data circa 1989, from United Nations, 1993b). Canada’s position relative to the US is analogous to that of individual Western European countries to ‘Western Europe’ as a whole. As can be seen, Canada is quite similar to its counterparts in Western Europe in terms of the proportion of direct investment to and from its ‘home’ continent and the continent across the Atlantic Ocean. For example, 64% of FDI in Canada was from the rest of ‘North America’ (i.e., the US), and 67% of the FDI in 14 Western European countries was from the rest of ‘Western Europe’. (Ibid.)
Table 5.4: “Continental’ source and destination of FDI, circa 1989

<table>
<thead>
<tr>
<th>‘Continent’ / country</th>
<th>FDI source (%)</th>
<th>FDI destination (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>‘North America’</td>
<td>‘Western Europe’</td>
</tr>
<tr>
<td>‘North America’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>64</td>
<td>27</td>
</tr>
<tr>
<td>United States</td>
<td>7</td>
<td>64</td>
</tr>
<tr>
<td>‘Western Europe’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>31</td>
<td>56</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>93</td>
</tr>
<tr>
<td>Italy</td>
<td>15</td>
<td>78</td>
</tr>
<tr>
<td>UK</td>
<td>44</td>
<td>39</td>
</tr>
<tr>
<td>Spain</td>
<td>11</td>
<td>80</td>
</tr>
<tr>
<td>Netherlands</td>
<td>35</td>
<td>51</td>
</tr>
<tr>
<td>Belgium/Luxemburg</td>
<td>17</td>
<td>72</td>
</tr>
<tr>
<td>Sweden</td>
<td>16</td>
<td>83</td>
</tr>
<tr>
<td>Austria</td>
<td>5</td>
<td>44</td>
</tr>
<tr>
<td>Norway</td>
<td>22</td>
<td>76</td>
</tr>
<tr>
<td>Average, 14 countries, ‘W. Europe’</td>
<td>20.1</td>
<td>67.2</td>
</tr>
</tbody>
</table>

Source: United Nations (1993b, 29-51)

By this relative measure, the continental integration of Canada is not more advanced than in ‘Western Europe’. Of course, there is a difference between sharing a continent with a single ‘superpower’ and with a number of individually less dominant countries (but who are increasingly integrated through the EU). However, it is hard to imagine any circumstances where Canadians would not have extensive economic relations with the world’s largest economy whose border is within a couple hundred kilometers from most Canadians. The point is simply that economic integration with the United States is not, by itself, evidence of Canadian dependency. It is, however, consistent with the broader pattern of interpenetration of ‘core’ countries, however unequal in size and power.

5.5 Portfolio Investment
The preceding discussion has addressed foreign direct investment and control. Before concluding, I will note a few points about foreign portfolio investment (FPI), and the scale of its potential influence in Canada. As was noted above, while the dollar total of FPI is larger than FDI, the latter has always been considered more important because of the greater influence over economic decision-making that is implied by direct control. However, decisions by foreign portfolio investors are also significant -- for example, their willingness to lend money to Canadian governments and crown corporations affects interest rates in Canada and the market price of the Canadian dollar. It is thus worth establishing that the arguments made here about the pattern of FDI are not negated by the evidence concerning FPI.
In 1999, inward FPI to Canada totaled $968 billion and outward FPI $243 billion (Statistics Canada, 2001b, 34, 40). In 1999, for the first time in 50 years, the dollar value of inward FPI actually declined, by 2.3%. The 1999 totals for FPI are, respectively, about four times the amount of inward FDI and a little less than the amount of outward FDI. Since 1989, inward FPI has grown at about the same rate as inward FDI, but outward FPI has not kept pace with outward FDI. When FDI and FPI are combined, Canada’s net international investment position is negative. However, it is worth noting this is also true of the US (data from United States Bureau of Economic Analysis, 2001). Finally, the relative size of the FPI deficit in Canada has declined in recent years: the 1999 total represented 32% of Canada’s GDP, the lowest level since 1977 (Ibid., 7).

The largest component of inward FPI (41%) is Canadian bonds, while foreign stocks (mostly held through pension and mutual funds) are the largest component (52%) of outward FPI. As in the case of FDI, the US is responsible for most FPI to and from Canada, e.g., US investors hold half (50%) of all foreign-owned Canadian bonds and slightly more than half (56%) of foreign stocks owned by Canadian residents are in the US (Ibid, 36, 43). Canadian residents hold a significant amount of FPI in ‘developing’ countries -- in 1999, the owned $91.3 billion in FPI in non-OECD countries, or 38% of Canada’s total FPI (Ibid., 57). Most was in the form of loans.

In other words, while both the extent and significance of FPI are somewhat different than FDI, the pattern of FPI is generally congruent with the pattern of FDI. Inward FPI to Canada is extensive, but its relative importance has declined in recent years, contrary to what might have been predicted on the basis of the dependency model of Canada. Like FDI, outward FPI from Canada is both large in absolute and relative terms.

While I have not addressed this point in any detail, the pattern of FPI to ‘developing’ countries (including in the form of loans) is particularly relevant to the argument that, in economic terms, Canada is an imperialist country. For example, when FPI and FDI held in non-OECD countries are combined, the total represents about $5700 per person in Canada (calculations from Statistics Canada, 2000b). One way of thinking about this is that a return of about ten per cent on this investment ($570) is more than the annual income of many people in developing countries, e.g., about 30% of their population exists on incomes of less than $511 per year (calculations from World Bank, 1999).

5.6 Conclusion

The idea that foreign corporations and countries dominate the Canadian economy through direct foreign investment is a central element of the dependency model. I think that few efforts have been made to justify this assumption with recent evidence, because, in an earlier period, it became so widely accepted, and because the best available data for recent decades does not support the traditional view.

I have argued that foreign control in Canada is exaggerated in the dependency model, especially by failing to acknowledge the hegemonic position of Canadian capital in the financial half of the economy. Foreign and US direct control is currently lower than it has been for much of this
century. Contrary to the expectations of the dependency model it declined substantially in the
decade and a half before ‘free’ trade. The changes since then have been modest, and they offer
little support for the central place accorded these policies in the dependency analysis of Canadian
capitalism. The rate of direct foreign control in Canada is substantially higher than in most
advanced capitalist countries, but Canada is not unique in this regard, and it is becoming more
like other leading countries.

Meanwhile, Canada’s rate of outward direct investment is greater than in most leading countries,
and includes substantial holdings in developing countries. While the US accounts for most FDI
to and from Canada, the extent of this concentration has declined over time. In proportional
terms, FDI between Canada and the US is very similar to that between individual Western
European countries and the rest of ‘Western’ Europe.

To the extent that direct foreign investment bears on Canada’s role in the world economy, this
evidence shows that Canada belongs with the group of ‘core’ G7 imperialist powers rather than
among ‘dependent’, ‘intermediate’ or ‘peripheral’ categories of countries in which Canada is
often placed. Of course, a well-rounded conclusion regarding Canada’s status requires evidence
from other areas, including those that I address in the following chapters.
Part III: The organization of capital and Canada’s political-economic status
Chapter 6: Debates about capital in Canada

The result is not an alliance within Canada between indigenous financial and industrial capital (creating, in Marxist terminology, finance capital). Rather, there is an alliance between Canadian financial capital and American industrial capital...an 'unequal alliance', with Canadian capital a junior partner.

-- Mel Watkins (1997, 28)

6.1 Introduction to Part III

In Part II above, I evaluated the weight of foreign control in the overall economy. I argued that foreign control in Canada is lower than assumed by dependency writers. However, this discussion of foreign economic influence within Canada was based on aggregate corporate assets. It largely left aside the issue of how the organization of Canadian capital affects Canada's political-economic status. This is the subject of this chapter, and of Chapter 7 that follows.

6.1.1 Dependency and imperialist models

The dependency model assumes that Canadian capital lacks strong roots in key sectors of the domestic economy, and that it is not well integrated across all the sectors of the economy. As a result, Canadian capital is perceived to be weaker than is indicated by its share of the aggregate corporate wealth. The opposite perception characterizes the imperialist model. This model assumes that, despite the significant presence of foreign capital, especially in certain industrial sectors, Canadian capital is relatively well integrated across the major sectors of the domestic economy. The imperialist model's assumption, that the economy as a whole is dominated by Canadian rather than foreign capital, relies quite heavily on the existence of a well organized core of Canadian capital that is able to counterbalance the undeniable presence of foreign capital, especially in some sectors.

The second reason that the sectoral organization of capital is important is the role it plays in the two models of Canada's political economic status. As I will detail below, the relation between sectors of capital is the key point in one influential line of argument in the dependency model, the 'Naylor-Clement' theory. The organization of capital also plays a significant analytical role in the imperialist model of Canada. In this model, imperialism is defined as a particular form of advanced capitalism based on finance capital, the close integration or merging of capital in financial and industrial sectors. This highly monopolistic organization of capital in the domestic economy is what distinguishes the imperialist stage of capitalism from earlier, more competitive forms of capitalism. It also distinguishes imperialist economies from imperialized economies, where foreign domination prevents domestic capital from uniting and projecting an independent 'national' interest that could rival the foreign interest.

While the dependency model does not rely on the specific notion of finance capital, its general argument about Canada raises similar points about the relations between sectors of capital.

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Canada is considered different from the leading capitalist countries, in that Canadian capital is unusually divided or fragmented along sectoral lines. Canadian financial capital is thought to be highly developed, and the dominant fraction of the domestic bourgeoisie. However, it is thought not to have developed close links with, or to have promoted the development of indigenous industrial capital. Instead, industry is thought to have largely developed under the domination of foreign (principally US) capital.

As Mel Watkins (1997, 28) put it, instead of an alliance between financial and industrial capital to create Canadian finance capital, there is an unequal “alliance between Canadian financial capital and American industrial capital”. A similar argument is made by Clark-Jones (1987, 5), who writes that, unlike the merger of financial and industrial capital achieved in other advanced capitalist countries, “in the Canadian case the merger was achieved continentally, not within the nation.”

This dependency argument is sometimes known as the ‘Naylor-Clement’ theory. Naylor’s (1972, 1975a, 1975b) main contribution is an historical account of how, in the 19the century, Canadian ‘mercantile’ capitalists opted for an alliance with US-controlled branch plants instead of supporting indigenous, Canadian-owned industry. The aspect of the ‘Naylor-Clement’ theory that is of particular interest in this chapter is Clement’s (1975, 1977) argument that Canadian capital continues to be unusually divided along sectoral lines. Clement based this conclusion on his study of directorship links between corporations in different sectors of the economy. He claimed that in Canada there are fewer directors of financial-commercial corporations who are also directors in manufacturing and other industrial corporations than in the United States. Supporters of the imperialist model of Canada have contested this conclusion with more recent studies.

6.1.2 Hypothesis, method and data sources
In this chapter, I review the evidence from directorship studies because they have been the main basis for the debate on whether finance capital exists in Canada. However, my own investigation in Chapter 7 focuses on a different area of evidence on links between sectors of capital, namely inter-corporate ownership. There have been relatively few recent efforts to measure ownership links between industrial and financial sectors of capital in Canada.

Niosi (1981 [1978], 14) notes that banks in Canada do not own enough stock in industrial corporations to satisfy the close association between these sectors assumed by the theory of finance capital. Richardson (1990) countered Niosi’s rejection of the application of the theory of finance capital to Canada with the suggestion that trust companies play the role occupied by banks in other countries, i.e., that trust companies own or control significant shares in industrial corporations. Carroll (1991) identifies networks of financial and industrial corporations held within large, family-based holding companies as the characteristic form of finance capital in Canada. However, these studies do not actually evaluate the extent of ownership ties between financial and industrial corporations in any detail.

The hypothesis for Part III that corresponds to the dependency model is that Canadian capital is usually divided along sectoral lines, and Canadian capital is closely linked to foreign capital. The hypothesis that corresponds to the imperialist model is that Canadian capital is not unusually
divided along sectoral lines, it is well-integrated through networks of the leading industrial and financial corporations, and, more specifically, that these networks include substantial ownership links between large financial and industrial corporations.

6.1.3 Outline of this chapter
In Section 6.2 below, I first briefly outline the theory of finance capital, because it is analytically important to the imperialist model. Section 6.3 then reviews discusses the extent of monopoly in Canada, and the degree to which the assumptions of the dependency and imperialist models are consistent with the evidence discussed. Section 6.4 addresses the claims of dependency writers concerning the relations between financial and industrial sectors of capital in Canada in the 19th century, and Section 6.5 then addresses the evidence on directorship links in the recent period. I review the evidence on ownership links between corporations in Section 6.6, and Section 6.7 discusses several issues related to measuring and evaluating directorship and ownership links between sectors of capital. Section 6.8 summarizes how some of these points affect the investigation of ownership links that is then is carried out in Chapter 7.

6.2 Finance capital and monopoly in Canada
The theory of finance capital is an important element of the imperialist model of Canada. The two key aspects of this theory are monopoly and the integration of financial and industrial sectors of capital. The concept of finance capital is not an explicit element of the dependency model. However, since this model denies that at least some elements of this theory apply to Canada (specifically, the linkage between financial and industrial sectors of domestic capital), I will also address the evidence for this claim.

The theory of finance capital was originally advanced by Hobson (1965 [1902]) and Hilferding (1981 [1910]), to describe the evolution from relatively competitive forms of capitalism to monopolistic capitalism. Hobson connected the outward expansion of capitalist countries to the emergence of finance capital within their economies. Hilferding extended Marx’s analysis of the growing socialization of production through the concentration and centralization of industry, and the financing of industrial production through bank credit and joint-stock companies.

Bukharin (1966 [1914]) and Lenin (1977b, [1915]) adopted the main elements of these theories of finance capital. They particularly emphasized that this form of capital is the domestic root of imperialism. Having monopolized domestic markets, finance capital requires foreign markets to continue to grow. Within the domestic economy, monopolistic power yields a share of profits produced in competitive sectors, but there are also limits to these opportunities. As the rate of profit declines, capital turns to more speculative and ‘parasitical’ activities. In both monopoly and non-monopoly sectors of the domestic economy, the contradiction between the socialized nature of production and its private appropriation sharpens. This contradiction can be relieved by exporting capital to countries with higher rates of exploitation, by exporting goods to new markets, and by securing cheaper raw materials from foreign countries.

In short, the emergence of finance capital reflects the limits to capitalist expansion on the basis of the domestic market alone. Each country’s finance capitalists must expand beyond domestic borders. Lenin (1977b [1915]) described this competitive process as the “highest” stage of
capitalism, because he perceived no further opportunities to relieve the fundamental class contradictions that would be asserted at the global scale.

6.2.1 Monopoly
Monopoly is one important element of finance capital. Both models of Canada agree this country has a very highly monopolized economy, though they disagree on its causes and significance. I will thus first outline the evidence in this area and then briefly address the different interpretations.

There is little disagreement that the Canadian economy is currently one of the most monopolized among the advanced capitalist countries. A long line of Royal Commissions on this topic attest to the political significance on this point, including the 1935 Royal Commission on Price Spreads (Canada, 1935), the 1957 Gordon Royal Commission (Canada, 1958), the Economic Council of Canada (1969), the 1978 Bryce Royal Commission (Canada, 1978) and the 1985 MacDonald Royal Commission (Canada, 1985).

According to the head of the federal Bureau of Competition Policy, in Canada “there exists a possibly unique configuration of high levels of all three types of concentration, namely aggregate, industry and ownership concentration” (Khemani, 1988, 18). Aggregate concentration is the degree to which a small number of firms dominate the economy as a whole, with all that implies about the potential and actual exercise of economic and political power. Industry concentration is what neoclassical economics generally mean by monopoly or oligopoly, that is, the degree to which a small number of firms dominate particular sectors or product markets. Ownership concentration is the degree of dispersal of ownership of corporations, i.e., whether equity is widely held by many individuals or is closely held by one (or several related) individual(s).

These three forms of concentration are all part of monopoly in the theory of finance capital. Monopoly implies aggregate concentration, as a small number of corporations dominate the economy, and thus strongly influence the parameters within which political decisions are made. Monopolization of a particular sector in the domestic economy (industry concentration) means further expansion must be in markets abroad. As Niosi (1985, 30) notes, Canadian investment abroad is concentrated in industries these corporations monopolize at home. The preferential access to credit implied by the ‘internalization’ of the circuit of capital within finance capital can also be seen as an expression of industrial concentration.

Shareholding capitalism (as opposed to early owner-capitalism) is historically associated with the rise of finance capital. Shares are themselves a form of financial capital, and the joint-stock system is a way of increasing the leverage enjoyed by major shareholders who retain effective control of a corporation without having to advance the total amount of equity. Of course, in some corporations, share ownership is widely dispersed, and it is difficult to identify a particular locus of shareholder control. In such cases, control is usually thought to be held by management. This may imply even more concentration of decision-making. Instead of competing shareholders jointly controlling the corporation, this power is exercised by a small group of senior managers.
Aggregate concentration

In terms of aggregate concentration, Khemani (1988, 25) reports that the largest 25 enterprises in Canada in 1983 controlled 45% of all corporate assets, 33% of non-financial sector assets and 60% of financial sector assets. The largest 100 enterprises controlled 67%, 63% and 71% respectively of total, non-financial and financial assets. (An enterprise is a grouping of corporations under common control, assigned in most cases on the basis of owning a majority of shares.) More recent data from Statistics Canada (1995c, 50) is very similar. In 1993, the top 25 enterprises (ranked by assets) accounted for 46% of all corporate assets, and 31% of non-financial assets.

Another vehicle for aggregate concentration is conglomeration, usually defined as as corporations that are active in at least three major sectors of the economy. Conglomerates are generally enterprises, but the latter's members may all be in one sector. Khemani (1988, 26) reports that the Canadian assets of 12 conglomerates accounted for 16% of all corporate assets. Francis (1986, 1) estimates that 32 families plus another 5 other widely-held conglomerates controlled one-third of all non-financial assets in Canada in 1985. Their combined revenues in 1985 were more than one and half times the revenues collected by the federal government. These results are certainly consistent with the finance capital theory that a small number of capitalists dominate the economy as a whole.

Comparing aggregate concentration in Canada and other countries is not easy because of differences in corporate structure and the kind of data that is collected. Marfels (in Khemani, 1988, 55) reported that the share of total non-financial assets held by the top 100 non-financial corporations in Canada in 1983 was 52%, compared to 28% in the US and 25% in Japan. He also estimated that the 1985 ratio of average assets of the top 100 industrial corporations (excluding government enterprises) to GDP was 2.3% in Canada, 1.9% in Germany, 1.2% in Japan, and 1.2% in the US (Ibid., 63). Fourteen corporations in Canada each held more than 1% of total non-financial industry assets, compared to only 3 corporations in the US, 2 in Germany, and 1 in Japan (Ibid., 63).

These comparisons are based on the corporation unit. Marfels notes that many corporations are vertically integrated, but that in most cases, the available financial statistics are not fully consolidated. If assets are double-counted, this will exaggerate concentration expressed in terms of assets. In order to eliminate the effect of vertical integration (which he suggests is more common in Canada than other countries) he calculates concentration ratios based instead on value added in manufacturing (value added is total cost less raw materials and other inputs like energy). The top 100 corporations in Canada accounted for 47% of manufacturing value-added, while in Germany they accounted for 40%, and the US, 33% (Ibid., 63-75). This measure confirms Canadian manufacturing is more concentrated that other leading countries.

A number of writers, including Clement (1979) and Antoniou and Rowley (1989), stress the opposite effect of vertical integration (along with horizontal integration) on concentration rates. They argue that economic concentration in Canada is usually underestimated due to the failure to address the effect of inter-corporate ownership, which is prevalent in Canada, but relatively rare in the other countries like the US and U.K. Intercorporate ownership is partly addressed by Statistics Canada’s enterprise category, that is, groupings of corporations under common control.
As noted above, 63% of non-financial assets in Canada were accounted for by the top 100 enterprises in the early 1980s, while Marfel’s 100 corporations accounted for 52% of non-financial assets. The enterprise is arguably a more appropriate basis than the individual corporation for comparisons between countries, and the data here highlights Canada’s very high level of economic concentration.

Industry concentration

In terms of industry concentration, Marfels cites Statistics Canada data showing that, in 1983, the largest 100 non-financial enterprises controlled more than 80% of the assets in the transportation, communications and utilities sectors, more than 50% in mining and manufacturing, and about 30% in trade (in Khemani, 1988, 55). The conventional measure of oligopoly is based on the share of the market accounted for the four top firms. At the level of broad sectors, four firms held 18% of total assets in manufacturing in Canada, 48% in transportation/communications/utilities, and 33% in finance (Ibid., 66). Moving down the scale, Khemani (1988, 30) reports that in 1980, four firms held more than 75% of the market share in a wide range of industries, from tobacco to banks. At an even smaller scale, he reports that 95% of five-digit manufacturing industry products (e.g. canned soup; four door automobiles) were produced by four or less firms who accounted for more than 50% of domestic output.

Again, it is difficult to make direct comparisons with other countries, but there is little doubt that industry concentration in Canada is higher than in most leading countries. In manufacturing, the largest 100 enterprises in Canada held 51% of total assets, compared to 25% of assets held by the top 100 corporations in Japan, and 43% of assets by the top 200 corporations in the US (Ibid., 65-72). Jacoby reports that in 1975, there were twice as many Canadian as American industries with four-firm concentration ratios in excess of 60% (in Gorecki et al., 1979, 23).

One sector in Canada that is particularly concentrated is finance. Ryba (in Khemani, 1988, 328) notes that the Economic Council of Canada reported that the four largest financial institutions accounted for 52% of total assets in 1983, and 17 institutions for 80% of total assets. In banking, the 1998 Task Force on the Future of the Financial Services Industry reports that, in 1997 the five largest chartered bank’s Canadian assets totaled $714 billion, or 54% of all bank assets in Canada. If their international assets are included, the five banks hold $1,147 billion in assets, or 88% of all banking assets in Canada (calculated from Canada, 1998, 33; 44). The Task Force cites a study of Canada and other countries showing that 5 banks in Canada controlled 81% of all domestic bank assets in 1996, a higher ratio than in the Netherlands (75%), Switzerland (71%), the U.K. (40%), the US (19%), and Germany (15%) (Ibid., 53, 54).

While Canadian banks are the leading sector in finance, other financial sectors are also important to consider. The 1998 Task Force reports that in insurance, 4 companies account for 52% of both individual and group life insurance premiums in 1997 (Ibid., 53, 54). Richardson (1988, 11) reports that in 1984, the largest 4 trust companies in Canada held 67.3% of total trust industry assets. The changing role of trust companies will be discussed more below, but here I should note that traditionally each of the major trust companies was closely associated with a chartered bank through shared officers and directorships.
Ownership concentration
In terms of ownership concentration, Khemani (1988) quotes the 1983 Securities Industry Committee on Take-Over Bids as reporting that 48% of the companies on the TSE 300 Composite Index were majority-owned by one or a small group of shareholders. Another 30% were considered under effective control of one or a small group of shareholders by virtue of share ownership between 20 and 50%. Only 22% of these corporations were regarded as widely held. In the US, almost the opposite is true: 85% of the Standard and Poor 500 companies are widely held (Khemani, 1988, 30).

Francis (1986, 4) reports similar results. Of the 400 largest public corporations in Canada, only 20 are widely held. The rest have one shareholder controlling 15% or more of the stock. 374 of the 400 corporations have a single shareholder who owns at least 25% to 30% of voting stock. Again, by comparison to the US, only 75 companies in the Standard and Poor’s 500 index had shareholdings of this size. Carroll (1991, 493) quotes a report of the Canadian Bankers Association in 1985, that nine prominent families control nearly half the value of the shares of corporations that make up the TSE 300 composite index.

A further dimension of ownership concentration has already been noted above, namely the common control over a number of corporations by one ‘parent’ body. Often reports of corporate ownership note only the immediate owner and do not identify the body capable of exercising ultimate control through shares held by intermediate companies. For example, compilations of the largest corporations in Canada each year by the Financial Post separately list corporations that are controlled by other corporations on the list, or are controlled by another body (often a family holding company or trust) that is not included on the list.

Morck (1998, 10) cites one example of this kind of corporate ‘pyramiding’. The Edward and Peter Bronfman family group owns BronCorp Inc., it owns 19.9% of HIL Corp., that, in turn owns 97% of Edper Resources, that owns 60% of Brascan Holdings, that owns 5.1% of Brascan, that owns 49.9% of Braspower Holdings, that owns 49.3% of Great Lakes Power Inc., that owns 100% of First Toronto Investments, that owns 25% of Trilon Holdings, that owns 64.5% of Trilon Financial, that owns 41.4% of Gentra, and it, finally, owns 31.9% of Imperial Windsor Group. According to Statistics Canada, the Bronfman family controls all these corporations, even though, in the case of the final member of this chain, Imperial Windsor Group, the Bronfman’s equity stake works out to only 0.03%.

A number of studies in Canada have detailed the extent to which leading corporations are in turn controlled by other corporations, and ultimately often by wealthy families. Dhingra (1983, 29) found that in a sample of the 390 largest corporations in Canada for which data was available in 1977, 58% were wholly or partly owned subsidiaries of other controlling corporations, and another 12% are owned between 20 and 50%. He found that only the very largest corporations tended to lack any concentration of stock ownership in the hands of outside owners. Antoniou and Rowley (1979, 264) classified the ultimate control of 51% of the top 247 Canadian corporations listed by the Financial Post as ‘family” and another 9.7% as “state”. Family ownership predominated in all but financial and insurance sectors. A later paper by Antoniou and Rowley (1989), reports that 97 of the 247 large corporations examined were majority or large minority owned (20%-50%) by corporate networks they call “shadow groups”.

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Most writers agree that there has been a pronounced increase in the control over leading corporations by enterprise groupings. Carroll (1991) shows there was a significant increase in intercorporate ownership among leading companies between 1976 and 1986, as 38 corporations belonging to 13 enterprise groups expanded to 64 leading corporations in 17 enterprise groups. Berkowitz (1995) similarly reports that between 1972 and 1987 there was a large consolidation of enterprise groupings in Canada. The number of what they identified as major economic decision making units declined from 1456 to 298, a five-fold consolidation.

In short, intercorporate ownership is very extensive in Canada. Of course, this leveraged control through a chain or network of corporations exists in other countries as well. Morck (1998, 6) cites the example of the Wallenberg family in Sweden. While they are not included in the Forbes billionaire list, their intercorporate holdings mean that this family controls assets equal to 40% of the market value of all corporations on the Swedish stock exchange. In theory, $1 billion capital can control $840 billion capital if there are 10 levels in an ownership pyramid, each of which owns 51% of the level below (Ibid., 6). Marfels (in Khemani, 1988, 57) reports that among the top 100 corporations in Germany, 33 firms held significant ownership stakes in 29 others in this group. The “big four” bank and insurance companies have direct ownership stakes in 189 firms.

Morck et al. (1998) reports that corporate pyramiding is common in all the major countries except the US and U.K. (though they do not provide comparative data). They point out that one difference between Canada and the US is that in the US, income taxes are payable on all dividends. In contrast, there is no tax penalty on chains of corporate ownership in Canada, because only dividends paid to individuals are taxable. They consider billionaire family wealth (expressed in the form of corporate pyramids) so extensive in Canada that they label it “the Canadian disease”.

6.2.2 Foreign influences on monopoly
The evidence described above demonstrates that Canada is one of the most concentrated capitalist economies in the world. This is consistent with one part of the theory that Canada is dominated by finance capital. However, many monopolistic corporations and sectors in Canada are foreign owned and controlled. Instead of seeing monopoly in Canada as an expression of finance capital, many ‘dependency’ writers associate it with foreign control. For example, Clement (1977, 141) writes that since the average size of foreign firms in Canada in 1972 was between 4 and 7 times that of Canadian firms, and most are US firms, “the only conclusion must be that US branches add to concentration within Canadian industry.”

This argument is true in a numeric sense. However, it is also true that, historically, US firms entered an economy that was already dominated by public and private monopolies, as Meyers (1913) and the 1937 Royal Commission on Price Spreads (Canada, 1937) make clear. The industrial sectors in which US firms invest also tend to be monopolized sectors in other countries, e.g., auto and petroleum. Some of the most monopolized sectors in Canada have relatively little direct foreign investment, e.g., transportation and finance. As every Royal Commission on economic concentration has pointed out, the relatively small size of the
Canadian market tends to result in ‘natural’ monopolies. It is thus questionable that less foreign investment would have resulted in less monopoly.

However, the question remains whether monopolies that are foreign-owned displace the traditional association between monopoly and national finance capital. In other words, does the fact that some monopolistic corporations are foreign-owned remove an essential ingredient for the ‘coalescence’ of finance capital at a national scale?

Listings of the largest individual corporations in Canada include many foreign owned firms. For example, Hurtig (1992, 62) cites the fact that 38% of the 1992 Financial Post’s listing of the 500 largest corporations in Canada are foreign-controlled. However, a somewhat different picture emerges when we examine enterprises, or corporations under common control. When this is done, the rate of foreign control over the corporations controlled by the 25 largest enterprises in Canada in 1993 was only 3.6% (Statistics Canada, 1995, 50). The corporate assets controlled by these 25 enterprises account for an impressive 43% of all corporate assets in Canada. The lower rate of foreign control among the leading enterprises highlights the influence of both intercorporate ownership and extensive Canadian-control of the large financial corporations.

Hurtig does not specify what sectors are included in the Financial Post listing he cites, but this source usually lists financial corporations separately. It may thus be more realistic to compare his figure for corporations to non-financial enterprises alone. As noted in Chapter 5, foreign control is greater in non-financial industries than in financial industries. Among the largest enterprises in non-financial sectors, the rate of foreign control of assets is still considerably lower than Hurtig’s figure for the largest 500 corporations. Foreign control of corporate assets controlled by the 25 largest non-financial enterprises was 18.8% in 1988, and 25.9% for the top 50 enterprises (calculated from Statistics Canada, 1991a, 128). As the number of enterprises continues to increase, the foreign share rises, e.g., for the top 1000 non-financial enterprises, it was 33.5% (Ibid.). It then falls again when all non-financial enterprises are included (their 1988 rate of foreign control was 26.2%). To the degree that the largest enterprises can be assumed to be monopolistic, this data confirms that the very largest monopolists are predominately Canadian, and at a rate that is significantly greater than for the economy as a whole.

In other words, a foreign ‘monopolization of monopoly’ in Canada exists within some non-financial sectors of the economy, and is a significant factor in the mid-ranges of enterprise scale. However, the enterprise data demonstrates that that largest and presumably most powerful concentrations of capital remain in Canadian hands. In associating monopoly with foreign control, ‘dependency’ writers have arguably missed one of the most characteristic features of Canadian capitalism -- the extent of ‘indigenous’ monopoly.

6.3 Relations between sectors of capital in the 19th century
Monopoly is an important aspect of finance capital, but the real heart of this theory is probably the idea of the “merging or coalescence” (Lenin, 1977b [1915]) of industrial and financial sectors of capital. This close integration of capitalists in difference sectors of the economy is what makes it possible for these capitalists to project a ‘national’ interest in both the domestic and world market, in the face of the ‘national’ interests projected by finance capitalists from
other countries. This section will review the discussion in Canadian political economy on the relation between financial and industrial sectors of capital.

In Chapters 2 and 3, I reviewed how early socialists and communists applied the theory of finance capital to Canada. This background is important in order to appreciate what changed with the emergence of what Mel Watkins describes as “the one ‘big idea’” that launched the ‘new’ Canadian political economy in the 1970s (Watkins, 1989, 17). This ‘big idea’ is the ‘Naylor-Clement theory’ that I referred to at the beginning of this chapter. Naylor and Clement argued that, first, there is an atypical division and rivalry between sectors of Canadian capital dating back into the 19th century. Second, they claimed that financial capital in Canada chose a continental alliance with US capital over a national alliance with indigenous industrial capital.

Before discussing the details of this theory, it should be noted that not all political economists who consider Canada a relatively dependent country endorse this approach. The Communist Party of Canada points to the period after WW2 (rather than before WW1) as when US domination of Canada was consolidated. Levitt (1970), who offered the first modern ‘dependency’ explanation of Canada’s status, also focused on the post-WW2 period. She attributes Canadian dependency to the shift from British portfolio investment to US direct investment, and the suppression of domestic entrepreneurialism by the multinational corporations associated with the post-war bloom of US investment abroad. Williams (1983) explanation of Canada’s “arrested industrialization” emphasizes the negative impact of government policy. He argues that Canadian governments promoted import-substitution industrialization instead of policies that would have promoted the expansion of exports in specialized, technologically-intensive lines of industrial production.

Panitch (1981) and Laxer (1989b) offer alternative explanations that focus on the relations between classes. Panitch argued that it was not divisions within the bourgeoisie that prevented the development of a strong indigenous industrial sector, it was the division between capitalists and workers. He argued that conditions in Canada were such that the general wage level won by workers was too high to allow Canadian capitalists to compete with the more established US manufacturers. Laxer (1989b) also argues that Canadian dependency is the result of the particular balance of forces between (rather than within) the major classes. Rather than workers being too ‘strong’, his argument is that farmers were ‘weak’, and so capitalists were too ‘strong’. In other countries, farmers ensured that state policies preserved national interests. Laxer argues that in Canada farmers failed in this task, resulting in more control of state policy by capitalists (who always place profits before patriotism). The result was higher levels of foreign control than were tolerated in other countries.

At the same time, these writers generally accept with the second part of the ‘Naylor-Clement’ theory noted above. They agree that the capitalist class in Canada is now strongly integrated with, and subordinate to, US capital. These continental allegiances foreclose the pursuit of independent imperialist interests. I will return to these points below, but will first discuss the ‘Naylor-Clement’ arguments about relations between sectors of capital in the 19th century and in recent decades.
Tom Naylor’s main contribution to the ‘Naylor-Clement’ theory is his ‘merchants against industry’ explanation of Canada’s early economic history. Naylor argued that the staples-oriented mercantile capitalists in Canada avoided investments in industry in the early 19th century, and even opposed small capitalists attempting to build up domestic industry that served local markets. He wrote that, in collaboration with British colonial authorities, they “crushed the indigenous petite bourgeoisie and nascent industrialists” in the 1837-38 rebellions in Upper and Lower Canada (Naylor, 1972, 16).

Naylor also rejects the conventional understanding of the National Policy of the 1870s and 1880s as a protectionist policy aimed at building up indigenous industry. Instead, he argues that Canada’s financial-commercial elite preferred to finance lower-risk US branch plants, and to distribute the latter’s products within the protected home market. He describes this as “industrialization by invitation” (Naylor, 1975b, 276). In Naylor’s view, Canadian dependency results from being saddled with a ruling class whose “direct line of descent runs from merchant capital, not to industrial capital but to banking, railways, utilities, speculation and so on” (Naylor, 1972, 16).

6.3.1 Divided sectors of capital

Two aspects of Naylor’s interpretation of Canadian economic history are relevant here. The first is his thesis about the divided nature of capital, and the second is his argument that mercantile capital retarded the development of indigenous industry. Naylor offers many examples in support of his argument that industry and finance were separate and rival spheres in Canada, and devotes separate volumes to their development in his The History of Canadian Business (Naylor, 1975a, 1975b). However, few other writers support Naylor’s account. MacDonald’s (1975, 277) review of the Canadian business press of the period makes the telling point that, “if mercantile and industrial capital were separate domains, the capitalists themselves were unaware of it.” He also argues against Naylor by stating that, “to assert that the [National Policy] tariff was supported by merchants rather than by manufactures is a fantasy” (Ibid., 268).

Richardson (1982) ‘tests’ Naylor’s theory of division and rivalry between capitalists by examining corporate directorship links in Toronto in 1911. Contrary to what might be expected on the basis of ‘merchants against industry’, he found that half the corporate directors listed in Who’s Who had links to both ‘industrial’ and ‘mercantile’ sectors. Quigley (1986) reviewed Canadian bank correspondence for evidence of Naylor’s “industrialization by invitation” theory, that US industrial capitalists were sought out and preferred over indigenous industrial corporations. He found that “[B]efore 1914, there is no evidence...to support the Naylor-Clement thesis that the Canadian banks actively ‘sought-out’ American investors; or that bankers clearly identified their own interests...as complimentary to those of American industrialists” (Ibid., 52). Quigley also notes Williams’ (1979) objection to Naylor’s claims, namely, that during the first 30 years of the National Policy US investments in Canada were relatively modest.

6.3.2 Industrial development

In large part, Naylor’s argument about the domination of mercantile capital in Canada relies on an idiosyncratic definition of ‘mercantile’ or ‘commercial’ capital versus ‘industrial’ capital. He includes railways (and power utilities) in mercantile capital, on the logic that they mainly serve
the ‘staples’ trade on which mercantile capital was founded. However, most political economists find it implausible to define railroads as mercantile capital. Certainly classical Marxism locates railroads as part of the process of production of capital, not merely of its circulation (Mandel, 1968, 204-205).

MacDonald (1975) pointed out that railways had the highest proportion of fixed to circulating capital of any economic sector in 19th century Canada, which directly contradicts Naylor’s (1972, 3) own definition of mercantile capital as being characterized by low ratios and industry by high ratios of these forms of capital. He notes that railways were the largest sector of non-agricultural GDP in Canada, and, if defined as industrial, “the general complexion of nineteenth-century Canada would not be mercantile at all, but, if anything, over-invested in industry” (Ibid., 267).

Richardson (1982) compared the relative size of economic sectors in Canada and the United States during the 19th century, and concluded that, relative to financial and commercial sectors, industry in Canada was larger than in the US, even using Naylor’s definition. Carroll (1986) notes that if railways were part of industry, the CPR-Bank of Montreal alliance that is widely considered the apex of corporate power in this period would represent the emergence of Canadian finance capital. It is precisely the absence of such developments that, in Naylor’s account, is the defining feature of Canadian capitalism.

The actual record of industrialization of Canada is another basis on which Naylor’s emphasis on mercantile-staple development in Canada has been challenged. Naylor viewed canals and railroads as part of mercantile capital, because they were built to service the export staple trade on which mercantile capital was based. However, railroads are strongly associated with industrial development because they promote extensive backward and forward linkages to other industrial sectors, and transport raw materials to factories, and finished goods to markets.

Pentland agrees that while canals and railways were built “to bind Canada more tightly to transatlantic exchange”, it is a “supreme irony of history” they had the opposite effect, of “creating a viable Canadian economy” (Pentland, 1982, 146). He describes how railroad construction involved considerable expenditures on local-produced capital goods, for supplies of food, and for shelter for large numbers of workers. Canals and railways also required a permanent though smaller force of better-paid workers to operate them. Local contractors were able to grow into suppliers of rolling stock. Canals opened the way to water power-driven manufacturing. Farmers along rail tracks gained access to markets across North America, and served as markets for the growing supply of Canadian-manufactured goods, from shoes to building products and farm machinery.

Carroll (1986) notes that, when Naylor discusses industrial development, he tends to see it only through preconceived notions of a ‘mercantalist’ economy. For example, Naylor acknowledges the early development of manufacturing of cotton, sugar and steel in Montreal (Naylor, 1975a, 109). However, he dismisses these companies as having been ‘stamped’ with the mercantile character of banks to which they were linked (Carroll, 1986, 28). In similar fashion, Naylor describes the “two great Canadian industry success stories, agricultural implements and primary iron and steel...[as]...exceptions that prove the rule” (Naylor 1975b, 283). The only reason he seems to offer for why these ranked as “exceptions” rather than as leading examples of Canadian
industrialization is the US origin of the entrepreneurs who migrated to Canada to develop these firms.214

Finally, as will be discussed in more detail in Chapter 8, it is widely argued that Naylor and other dependency positions underestimate the actual extent of industrial development in the 19th century. Neoclassical economic historians generally agree that the weight of staple production in Canadian economic history after the early 1900s is lower than is assumed in most Canadian political economy accounts. In his evaluation of Naylor’s work, Ryerson (1976) cites examples of where Naylor simply ignores industrial development that occurred in Ontario, Quebec and the Maritimes in the 19th century. Finally, while Naylor extends his characterization of Canadian industrial backwardness into the 20th century, as Laxer (1989a, 11) notes, Canada was, by the turn of the century, the seventh largest industrial producer in the world.

6.3.3 The emergence of finance capital in Canada?

Carroll (1986) offers the best alternative account of the early development of Canada from the point of view of the theory of finance capital. He argues that 19th century Canada can be divided into two phases, a formative period when industrial capitalism took hold, and the later decades when a dominant fraction of finance capital developed around the banks and railways. He argues that, contrary to dependency accounts, a number of studies document the “emergence of closely articulated financial and industrial interest around the country’s largest capitals in the late 1800’s”, and their further development in the decades that followed (Ibid., 47).

One important signal of the transition from one phase to another is the concentration of financial intermediaries. The first domestic bank was charted in 1817, and the first life insurance company in 1855. At the time of Confederation, there were 33 chartered banks with 123 branches. They accounted for 78% of financial assets, with the remainder divided between building societies, savings banks, life and fire insurance companies, and the state. In total financial assets equaled one-third of GDP (data quoted in Carroll, 1986, 48).

In the decades after Confederation, financial capital expanded rapidly in size and sophistication, and so did its institutionalized connections to large industrial, transportation and commercial corporations. Of particular importance was the ‘coalescence’ of the chartered banks and the railways. Unlike manufacturing, which was still largely carried out in small firms, the financing for railways was largely foreign. Backed by the state, the Canadian banks acted as a conduit for foreign capital and some domestic capital into the railways and allied corporations. The close financial and directorate relations that developed between the Bank of Montreal and the Canadian Pacific Railway were the key axis around which finance capital emerged in Canada.

In the decade before the outbreak of WW1, an intense merger movement greatly centralized both industrial and financial sectors of the economy. Carroll (Ibid., 52) cites a study by De Grass (1977) showing that the number of chartered banks declined from 34 in 1907 to 22 in 1914. Another study by McLennan (1929) shows there were 52 important mergers absorbing 229 industrial companies between 1908 and 1913. DeGrass’s study of the forty-four men who, in 1910, controlled the main banks, railways, steamship lines, manufacturing plants, insurance companies, stock brokerages, and mining companies, “gives a convincing account of the leading role this financial-industrial elite played in centralizing capital under its control” (Carroll, 1986, 146).
Finally, Carroll notes that Piedalue (1976) shows that, in 1900, 80% of the country’s largest firms shared at least one director with another large company, and, by 1910, this had increased to 89%.\(^{215}\) He concludes that:

By the second decade of this century, then, an advanced form of capitalist production, circulation, and finance was in place in Canada. At the apex of this bloc of finance capital was a small elite of Canadian capitalists whose interlocking interests and corporation positions effectively fused big industry with high finance. The ensuing decades witnessed both the preservation of this block of finance capital and its elaboration in several ways. (Carroll, 1986, 52-53)

6.4. Directorship links between sectors of capital in recent decades

As described above, Naylor identified the roots of contemporary Canadian dependency in the failure by Canadian capitalists during the 19th century to develop into a truly national bourgeoisie based in both mercantile and industrial sectors of capital. Clement (1975) extended Naylor’s argument into the final quarter of the 20th century, writing that Canada’s “elite configuration” is atypical of other industrial liberal-democracies. Clement states, “the Canadian bourgeoisie is primarily a commercial one, engaged in circulation rather than production, while in other nations the bourgeoisie is typically both industrial and financial” (Ibid., 355).

As Watkins (1989, 27) puts it, Clement shifts attention from Naylor’s “overly robust version (antagonism between commercial and industrial capital within Canada)” to Clement’s “more moderate version (commercial dominance inside Canada in the wider context of American industrial hegemony).” The discussion of directorship links below will focus on the relation between sectors of capital, and a subsequent section will address the relations between Canadian and foreign (especially US) capital.

6.4.1 Dependency interpretations of directorship interlocks

Clement’s most important evidence is his comparison of interlocking directorships among 113 ‘dominant’ corporations in 1972 with those of an equivalent group of 194 ‘dominant’ corporations in the United States. A corporate interlock is when one person sits on the boards of directors of two or more companies, and Clement (1977, 162-163) argues the pattern of interlocking indicates the influence of individuals, corporations and sectors within the economy. He interprets his evidence as showing that,

[I]n Canada, elite members in the sphere of circulation are thoroughly integrated with each other but have tenuous connections with the sphere of production, which is foreign controlled. They have consolidated their position only in circulation, while members of the US economic elites have effectively maintained control of all economic activities in their society. (Ibid., 167)

Clement argues these results confirm “the argument made throughout this study of the dominance of circulation in Canada and the weaker role of indigenous production” (Ibid., 169).

Like Naylor (1975a;1975b), these claims are posed in terms of ‘spheres’ of circulation and production, which is not the same thing as ‘finance’ and ‘industry’ in the context of finance.
capital. At the same time Clement often seems to agree the latter represent the real issue, such as when he suggests that the 'financial-industrial axis is continental for Canada but national within the United States' (Clement, 1977, 179). Clement reports his directorship interlock data by sectors, with 'circulation' presumably represented by finance, transportation/utilities and trade\textsuperscript{216}, and 'production' by manufacturing and resources.\textsuperscript{217}

Clement’s analysis of Canada assumes that the US represents the ‘normal’ pattern of capitalism compared to Canada’s ‘less-balanced’ development. He shows that in the US, the density interlock value of corporations within manufacturing is the highest of all sectors, and higher than in Canada. In the US, manufacturing is also the sector that is most densely interlocked with all other sectors. In Canada, manufacturing corporations are less densely interlocked with each other than are corporations in finance, and manufacturing is generally less interlocked with other sectors (Clement, 1977, 166).

These results are consistent with Clement’s interpretation above. However, on other points, as Carroll (1986, 29) points out, “Clement’s analysis of interlocking directorates in the US and Canada suffers from a serious misreading of his findings.” This is particularly true if his data is viewed in terms of the key relation between financial and industrial corporations, that is, in terms of finance capital. Contrary to his claim quoted above that there are only ‘tenuous’ connections between ‘elite’ members in ‘circulation’ and ‘production’ in Canada, Clement’s own data records that interlocks between finance and all other sectors are more dense in Canada than in the US. In particular, the density index between finance and manufacturing in the US was .50 while in Canada it was .62; between finance and resources it was .23 but .59 in Canada, and between finance and transportation/utilities it was .26 compared to .72 in Canada (Clement, 1977, 166).\textsuperscript{218}

Even following his own typology of circulation versus production, Clement’s data also shows that transportation/utilities (‘circulation’) is more interlocked with resources (‘production’) in Canada than the US, though the opposite is true of manufacturing. Trade (‘circulation’) in Canada is also more densely interlocked with resources (‘production’) in Canada than in the US, but again, less so with manufacturing. Strictly speaking, then, Clement’s claim that Canada has “tenuous” connections between ‘circulation’ and ‘production’ compared to those in the US is true only if ‘production’ excludes resources and transportation/utilities, and ‘circulation’ excludes finance -- that is, in a Canada without logging, mines, the Hydros, railways, and banks.\textsuperscript{219}

Ornstein (1989, 158) notes one reservation about Clement’s comparison of ‘dominant’ corporations in Canada and the US, that the density of directorship interlocks is known to decline as the number of corporations increase. Since there were fewer Canadian than US ‘dominant’ corporations in Clement’s sample, Ornstein suggests the relative density of interlocks in Canada may be overstated, especially given the much smaller number of banks in Canada and the regionally-centered pattern of US directorship interlocks. An opposite argument could also be made, that the US sample should be much larger in order to reflect the larger size of the US economy. This would presumably increase the relative density of directorship links in Canada, and provide further evidence against Clement’s view of divisions among capitalists in Canada.
6.4.2 Contrary directorship evidence
Clement’s perspective remains influential in Canadian political economy, despite his questionable interpretation of data. I am not aware of any directorship studies that endorse Clement’s general conclusions, but several studies clearly point in the opposite direction. Carroll, Fox and Ornstein’s (1982) extensive study of directorship links among the 200 largest financial and non-financial corporations in Canada concludes they are densely connected in a single network organized around a small number of Canadian financial and non-financial corporations. Carroll’s (1986, 126) study of directorship links among the ‘top 100’ corporations in Canada between 1946 and 1976 also demonstrates dense corporate interlocking within financial corporations in Canada, and between financial and industrial corporations. Over the 30 year period he studied, the level of foreign control over these corporations rose slightly, but by other measures the central core of this directorship network became increasingly Canadian-controlled (Ibid., 157).

Ornstein (1989) provides the strongest evidence against Clement’s general conclusion. He uses data on the top 256 corporations listed by the 1981 Financial Post to compare the connectivity and density of the Canadian directorship network with Scott’s (1985) similar study of the top 250 corporations in each of 10 countries (Australia, Belgium, U.K., Finland, France, Germany, Italy, Netherlands, Switzerland and the US). Canada was generally in the middle ranges of this group of countries in a variety of measures of network density and cohesion. Some measures even indicated that “the Canadian network is among the most centralized and dense” (Ibid., 172). Ornstein concluded that,

The analysis indicates that the Canadian inter-corporate network is not unusually fragmented, that there are no pronounced cleavages between industrial and financial capital or between foreign and domestic capital, and that industrial capital is neither subordinated nor peripheral to finance. The Canadian network looks like the networks of a number of other countries, such as France and Germany, about which it is impossible to advance arguments about dependency and underdevelopment...[T]hese findings are very damaging to the claims about the fragmentation and distortion of the Canadian capitalist class. (Ornstein, 1989, 169-170)

6.4.3 Continental alliances, extra-national capital?
I will now turn to the issue of how foreign corporations are currently integrated into the network of financial and industrial corporations in Canada. As detailed in Chapter 5, there is considerable foreign capital in some sectors of the economy, especially industrial sectors. In the section on monopoly above, I discussed whether the foreign contribution to monopoly in Canada is contrary to the idea that ‘national’ finance capital exists. The same question applies to the foreign role in relations between financial and industrial sectors of capital. Are foreign capitalists in Canada closely integrated with Canadian capital, and, if so, does their presence prevent a ‘coalescence’ of Canadian industrial and financial capital with interests that are separate from those of foreign (particularly US) capital?

Clement’s (1977) argument against there being a true national alliance of corporations in Canada is that directorship links in Canada within manufacturing, and between manufacturing and other sectors (except finance) were not as dense as in the US. Unfortunately, Clement does not
distinguish between the interlocks by Canadian-controlled and foreign-controlled corporations in Canada within, and between, various sectors. His directorship data thus does not provide a basis for his assertion that Canada lacks a “financial-industrial axis” at the national scale. Instead, Clement’s argument here relies on view that “production...is foreign controlled” (Ibid., 167). He cites CALURA data for 1971/72 showing that foreign control of assets in manufacturing and mining was 56% and 60%, though a lower 35% in all non-financial industries (Ibid., 306-307).

While extensive foreign control in industrial sectors is necessary for Clement’s conclusion, it is not sufficient. It Canadian corporations are more closely linked to foreign-controlled corporations than they are to each other, this would be strong evidence for his position. In fact, however, finance is known to be strongly Canadian controlled, and his data shows that finance is more strongly linked to sectors with lower foreign control (like transportation) than to those with greater foreign control (like manufacturing). Clement’s data also indicates that the average number of interlocks among Canadian-controlled ‘dominant’ corporations in Canada is 44% higher than among both Canadian and foreign ‘dominant’ corporations (calculated from Clement, 1977, 163). This evidence is indirect, but it suggests that links between Canadian-controlled firms are stronger than between Canadian and foreign controlled firms.

Other directorship studies have clearly identified a Canadian-controlled core to the network of leading corporations. Carroll (1986) provides the strongest evidence of this, using a measure of multiple rather than single directorship ties that he argues better expresses close and stable ties between corporations. He also notes that over the period of 1946 to 1976, the directorship interlock density among the Canadian firms increased, while the interlocks between Canadian and foreign corporations declined substantially (Ibid., 126-127). This seems particularly significant in light of the rise in foreign control during most of this period. This rise might have been expected to weaken the Canadian network, and strengthen its links to foreign firms. Carroll concludes these results “contradict the thesis that an historical trend exists towards silent surrender or continental compradorization by Canadian capitalists.” (Ibid., 127) Further work by Carroll (1991, 498) suggests the ‘Canadianization’ of the corporate network continued up to 1986. For example, the two foreign industrial corporations (Gulf Canada and Canada Cement) present in the 1976 central network of ‘dominant’ corporations were no longer present in the 1986 network.222

Ornstein’s (1989) comparison of the directorship network in Canada and other countries also concludes that, contrary to suggestions by Clement (1977) and Nioisi (1985, 58), there is no evidence that foreign firms form an alternative, competing centre in the network. He writes, “[T]he foreign-controlled corporations are peripheral to a network dominated by the largest Canadian corporations” (Ornstein, 1989, 167). An earlier study by Ornstein (1984) shows that interlocks between Canadian controlled firms are more likely to be reconstituted (i.e., retiring directors are replaced) than between Canadian and American corporations. He argued this confirms that the Canadian portion of the network is more purposeful and stable.

A final piece of evidence is provided by Nioisi’s (1981 [1978]) study of crown corporations with assets of over $100 million in 1978, and that accounted for a substantial 29% of public and private investment in Canada (Ibid., 85).223 Four-fifths of the crown corporations’ directors were private sector capitalists and their professional advisors. There were no foreign directors on the
boards of these crown corporations, and very few directors were linked to US firms except a small number also linked to Canadian capital in their role as corporate advisors to both groups. It is therefore evident that crown corporations raise the ‘Canadian’ content of the directorship network in Canada.

I suggested that the evidence above does not support dependency claims that Canadian capital is strongly integrated into US-led continental networks of capital. However, it is also widely argued that extra-national forms have largely transcended national forms of capital. In recent years, supporters of the dependency model have tended to shift their emphasis, from US domination of Canada to the broader threat to national sovereignty posed by ‘globalization’ (see, e.g., Jackson, 1999). Teeple (1995) associates the rise of post-Fordist economies to the decline of the national state, and its replacement with an international capitalist class with global rather than national roots.


In some ways, these arguments restate Kautsky’s 1914 theory of ‘ultra-imperialism’. Lenin strongly opposed this theory because of its implication that competition between national capitalists could be settled without resorting to inter-imperialist war. There is a general issue of whether the theory of finance capital requires distinctive groupings of capital defined by nationality. However, what is more relevant here is whether Canadian capital is very different than that in other advanced capitalist countries in terms of the ‘national’ definition of capital. There is little doubt that Canada’s main association is with the US, so the issue of extra-national forms of finance capital probably substantially coincides with the continental forms of finance capital that were discussed above.

6.5 Ownership links between finance and industry

In the section above, I suggested that the ‘Naylor-Clement’ view that Canadian capital is usually divided between sectors is not supported by the best available evidence. In recent decades, most of this evidence has come from directorship studies. However, the significance of directorship ties is always open to question. The existence of a directorship link between two corporations does not necessarily express a definite or strong relation. The more important and unambiguous connection between corporations is through ownership of shares or equity. As Antoniou and Rowley (1989, 259) argue, “ownership patterns are still the single most important element in determining and analyzing the focus of control in a corporation”. If one corporation is owned by another, there is not much doubt about the strength or direction of influence in their relationship.

When discussing the issue of ownership ties between corporations, it is important to note there are different forms of finance capital. Hilferding based his classic analysis of finance capital on Germany, where a tightly cartelized banking sector owned large (often majority) shares of
leading industrial corporations. Lenin also referred to the German example, but rather than defining finance capital in terms of ‘bank control of industry’, he described it more generally, as the “the merging or coalescence of banks with industry” (Lenin, 1977b [1915]). For example, in addition to the ‘German’ form of finance capital, Lenin pointed to the ‘holding system’, that allows finance capitalists to control other corporations without owning large shares of their total capital.

6.5.1 No ‘bank control of industry’ in Canada

In his discussion of whether finance capital applies to Canada, Niosi (1981 [1978]) assumes the ‘bank control of industry’ model of finance capital. He points out that Canadian law limits the shareholding by any individual or corporation in Canadian banks, and that only 1% of bank assets are held in corporate securities. In the absence of significant equity links between banks and industrial corporations, Niosi therefore argues the theory of finance capital does not apply to Canada (Ibid., 7-9). Antoniou and Rowley (1986, 255) note that Stewart (1982) and the Porter Commission (Canada, 1964) also concluded that banks in Canada do not have significant equity interests in industrial corporations in Canada.

Richardson (1988), Carroll (1991) and Scott (1997) accept that there are few ownership ties between the chartered banks and industrial corporations in Canada. However, they disagree this precludes the existence of finance capital, noting there are other possible forms of the ‘coalescence’ of financial and industrial capital.

6.5.2 ‘Anglo-American’ forms of finance capital?

Scott (1997, 16-17) argues there are at least three other major forms of finance capital in advanced capitalist countries, including the ‘Anglo-American’ model, the ‘Japanese’ model, and the ‘Latin’ model. Given Canada’s political and legal history, Scott argues that the looser or more diffuse ‘Anglo-American’ model of finance capital applies to this country (Ibid., 92-96). Banks play a less central role here than in the ‘German’ model, and there is less emphasis on control through direct ownership. According to Scott, the connections between financial and industrial corporations should be understood in terms of a “constellation of interests” (Ibid., 16). These interests are manifested through a variety of combinations of ownership ties, shared directorships, family connections and the influence of professionally-managed institutional investors.

Richardson and Carroll agree that Canada follows the ‘Anglo-American’ model. However, they argue that even this model of finance capital still requires a certain degree of ownership linkages between industrial and financial capital. They suggest two ways in which these ownership links exist in Canada -- through trust companies instead of banks, and within conglomerate enterprises and family fortunes.

Richardson (1988) argues that the large scale of trusts in Canada (along with recent changes their connections with other corporations) provide an alternate pole for finance capital in Canada than that traditionally provided by banks. He concludes that the trusts provide “the crucial missing ownership ties...required to make most elements of finance capital theory truly applicable to the structure of the Canadian economy” (Ibid., 17). Richardson first notes that while banks predominate in Canada, the trusts are very large financial institutions in their own right. He cites
data from Neufield (1972), indicating that in 1969 trusts controlled $16.2 billion in corporate stocks and bonds (Richardson, 1988, 5). In 1984, the assets owned and controlled by trust companies amounted to $181 billion, an amount equal to 42% of Canada’s GDP. The assets under their control amounted to 81.3% of the Canadian assets of chartered banks, up significantly from the 10.8% in 1950 (Ibid., 5).

The trust sector was also highly concentrated, with the 4 largest trust companies controlling 75% of all trust industry assets, up from 55-60% in the 1950s and 1960s (Ibid., 10). Richardson notes that in Quebec, the Caisse de dépôt et placement du Québec is Canada’s largest pension fund with $37 billion in assets, and the Dejardins credit union confederation holds $30 billion in assets. These two institutions ranked just behind the five chartered banks in size (Richardson 1992, 310).

Before the 1967 changes in banking legislation, the major trust companies, though formally independent of the chartered banks, were, in practice, closely linked to one or other of the banks. By 1988, all these trust companies had been officially taken over by one of the banks or other large conglomerate corporate empires in Canada. In Richardson’s view, this integration of the Canadian trust industry with other leading corporations, including industrial corporations, “provides institutional solidification of finance capital and a quantum leap in the resources available to finance capitalists” (Ibid., 3). Several leading insurance companies (other than the mutual fund companies, that are owned by policy-holders), were also been taken over by one of the conglomerates, as were three of the largest Canadian merchant banks (Richardson, 1992).

Carroll (1986, 43) also argues that less structured forms of finance capital apply to Canada. He points to the existence of relatively unstructured and fluid ‘financial groups’ that reflect the shared interests of corporations that are linked by family, institutional and other ties. Like other forms of finance capital, these ‘financial groups’ are able to partially internalize (that is, ‘monopolize’) the circuit of capital between financial and industrial corporations.

Carroll (1991) also points to the growing role of both trusts and enterprise groups or conglomerates in the last few decades as marking a change in the form of finance capital in Canada. He notes that Canadian Bankers Association reports that the assets controlled by the two leading financial conglomerates match or exceed the Canadian assets of the leading chartered banks (Ibid., 506, quoting Canadian Bankers (1985, 7). Carroll predicted there would be further consolidation of the financial industries, pointing out that another round of financial deregulation in 1987 had led the chartered banks to buy the major investment dealers in Canada. He also argues an earlier trend towards a less concentrated and more institutional form of capital has been reversed in the direction of greater personalization of corporate wealth, with many of the major enterprise groups organized around family fortunes (Carroll, 1989; 1991).

Carroll (1991) argues that directorship links indicate that the major widely held financial institutions (chiefly banks) are bridges or articulation points within the network, integrating the interests of distinct empires. However, he argues that the importance of the banks relative to other financial institutions has declined in recent decades. This is seen in the role of particularly important individuals in the directorship network, ‘big linkers’, who hold at least 4 directorships in dominant corporations. Between 1976 and 1986 there was an increase in the relative
importance of “big linkers who are insiders in major enterprise groups and the concomitant weakening of the presence of banks and of insiders in other dominant firms” (Ibid., 504).

In summary, there is general agreement that the absence of ownership links between banks and industrial corporations makes it clear that the ‘bank control of industry’ model of finance capital does not apply to Canada. While other forms of finance capital do not center as strongly on ownership links, some writers still assume there are some links of this kind between financial and industrial corporations. Richardson (1988) and Carroll (1991) suggest these ownership links are provided through trust companies, conglomerates and family fortunes. However, not much detailed evidence of these ownership links has been provided to date.

6.6 Issues in identifying ownership linkages between financial and industrial corporations

The section above notes that ownership links between financial and industrial corporations remain a partly unresolved issue in the discussion of whether or not Canadian finance capital exists. I will now review some of the issues that arise when measuring and interpreting intercorporate ownership and control.

6.6.1 Ownership threshold for control

One of the first issues is what threshold level of ownership is required to ensure the kind of linkage or control among corporations assumed by the theory of finance capital. Most of the general literature on ownership and control focuses on whether managers or shareholders control corporations. However, studies by Antoniou (1979), Dhingra (1983) and others show that in Canada this is not a central question. Dhingra’s study found that only 6% of the 460 largest non-financial corporations in Canada could be considered management controlled. Only the very largest corporations had the kind of dispersed ownership that leads to management control. Dhingra concluded that 21% of corporations were inside controlled (a combination of owner-managers and management), but the large majority, 73%, were controlled by outside owners, mostly other corporations (Ibid.).

Statistics Canada assigns control over corporations on the basis of majority ownership, or one-third ownership in block that is larger than next two blocks combined. Many writers argue that lower shareholding positions than this threshold can still assure effective control. The classic work by Berle and Means (1932) suggested that control could generally be achieved with a shareholding position of 20%, and this threshold is still widely applied (e.g. in studies in Canada by Dhingra (1983) and Antoniou and Rowley (1989). Some writers argue that wider shareholding makes minority control possible on the basis of ownership margins of 10% or even 5% (see Scott, 1997, 43). Berkowitz et al. (1976) experimented with different thresholds for control when defining enterprise structures in Canada. They reported there was very little difference between results based on 15% and 25% ownership, but some differences resulted from applying 25% and 50% ownership thresholds.

Antoniou and Rowley (1986) clarify a number of factors that should be considered in determining who controls corporations in situations where the major shareholding is between 1% and 50%. The first issue to consider is identifying who controls, as opposed to the means of control. There are many possible combinations of control through ownership, directorship and
management. A second distinction is between latent and active control, since, at any given point in time, owners with potential or latent control may not actually be exercising that ability. The third distinction is between ownership for acquiring control, versus ownership for maintaining control. Those who currently hold control generally have the advantage of incumbency, while the threshold needed to assume control may be much higher. The fourth distinction is between levels of ownership required for initial control, and those required for final control. It is possible that a company can initially gain control with a certain ownership share, and at a later time either tighten or relax its position. These points make it clear that caution is required when applying a single ownership threshold to identify control over corporations, especially in cases where there has been a recent change in share ownership.

Niosi (1978), Dhingra (1983), Antoniou and Rowley (1989), Carroll (1991) and Morck (1998) agree that the Canadian corporate network is characterized by the large degree of majority or strong minority control, and by the incorporation of many firms within larger corporate groups. Antoniou and Rowley (1989) call these networks "shadow groups" to underline their often unacknowledged and unreported existence. When considering what criteria to use to identify such groups, it is important to consider the different forms they may take. Statistics Canada's enterprise category assumes a pyramid structure, that is, it determines who controls each corporation, and assigns it to an enterprise headed by a single corporation or investor (in some cases this is a family trust).

In their identification of "shadow groups", Antoniou and Rowley consider other kinds of structures. Among single headed groups, they identify sub-categories on the basis of the number of tiers or layers in the pyramid; single versus multi tier structures; and those with and without inter-level links. Other group structures were multi-headed and 'looped' (reciprocally owned). They found the most common 'shadow group' structure among the Financial Post's 247 leading Canadian corporations in 1978 was single-headed. Within this category, the most common of the multi-tier structures did not have interlevel links. The larger and more sectorally-diversified groups tended to be poly-axial rather than single axial, and multi-headed groups often included financial corporations. Of the 20 shadow groups they identify, seven use majority ownership to control corporations, and another seven more are characterized by ownership positions greater than 20%, and another 5 by ownership thresholds of 10%. The only group where control is widely dispersed is the Bank Nationale-Caisse de Dépôt group in Quebec (Ibid.).

This approach to defining 'shadow groups' acknowledges greater variation in the structure of groups than Statistics Canada's enterprise category. However, it is not clear how much difference this variation makes in practice. Antoniou and Rowley (1989, 387) list the names of 20 shadow groups they identify, of which six are 'multiple-headed' and two are 'loop' structures (the forms that are most different than Statistics Canada's single-headed enterprises). The list of Statistics Canada enterprises includes most of the corporate names used to identify Antoniou and Rowley's 'shadow groups'. It therefore seems likely that, while the exact composition of the two groupings of corporations differs, the networks of corporations each identifies are similar.

6.6.2 Combinations of ownership and directorship links
Most writers have relied on either ownership or directorship links to identify whom controls or influences corporations. Antoniou and Rowley (1989, 389) report on an earlier study in 1983 that
compared the pattern of control suggested by intercorporate ownership links, and by the pattern of directorship links. They found that “...strong ownership links are not necessarily accompanied by directorship ties, and thus interlocking of directorships is not, in itself, a basis for control”. Directorship links seemed to have more of an informational function than a control function. Many of the “shadow groups” they detected on the basis of ownership links would not be detected on the basis of directorship links or would have been considerably smaller.

Berkowitz (1976) experimented with different ways of combining ownership and directorship links to define control in terms of membership in enterprise structures. He found that a combination of ownership and directorship links seemed to best identify groupings of corporations: “In general, we are satisfied that our definition of enterprises based on a minimum of 15% ownership plus 3 director/officer ties is the most reliable measure of control” (Ibid.). Similarly, Berkowitz and Fitzgerald (1995) discuss how to use a combination of ownership and directorship ties to resolve the ambiguity of control in cases of minority ownership and joint ownership. They begin by assigning firms to enterprises based on majority ownership. They then found that greater than 15% ownership plus 3 directorship ties yielded the more complete and consistent mapping of firms in the enterprise structure. One important advantage of using a combination of ownership and directorship ties is to clarify the direction of control between linked corporations.

Carroll (1991) also uses a combination of ownership and directorship links to identify various levels of centrality in the corporate networks in Canada in 1976 and 1986. He defines enterprise groups as corporations directly or indirectly linked by significant intercorporate ownership plus directorship links by at least two executives in one or other firm (Ibid., 508n). On this basis, he identifies a shift from a single central network around the traditional Canadian Pacific - Montreal financial institutions axis to a dual centered network as the Bronfman-Reichman family enterprise group came to compose a separate network centre by 1986.

It seems apparent that it is important to identify both ownership and directorship linkages when analyzing the relationship between corporations. The combination of these links (along with other possible connections between corporations) are likely to be particularly significant in identifying instances of the more diffuse ‘Anglo-American’ form of finance capital that may apply to Canada.

6.6.3 Sector definitions
A final issue worth noting is, how meaningful it is to identify corporations by sector? There are a couple of related aspects of this question. The first is that, to the degree that corporations producing industrial products finance their activities from internal profits and through issuing stock and bonds, they are also engaged in financial activities. According to data for the US cited by Henwood (1997, 75), between 1952 and 1995, 89.6% of capital expenditures by non-financial corporations were made from internal funds. The amount spent by corporations to buy back their own stock was equal to 11.9% of capital expenditures during this period. Sanford (1999, 51) makes a similar point in the Canadian context. He claims that, “internal financing typically accounts for about 95% of gross fixed investment expenditure by Canadian business.” Grahl (2001) cites comparative data indicating that, between 1991 and 1995, retained earnings were the source of 81% of total corporate financing in the US, 55% in Japan, 65% in Germany and 72% in
France. In each case, the retained earning share increased substantially since the 1975-80 period. Bank credit was significant in Japan (40% in 1991-95) and Germany (23%), but less so in France (12%), and it was negligible in the US (-1.3%).

A second point is that large, conglomerate-type corporations often operate major financial and industrial activities under the same corporate identity. Henwood (1997, 135n) notes that, "GE [General Electric], an ideal type of the large US-based industrial enterprise, derived 24% of its 1994 profits from financial services". The sector definitions assigned to corporations and enterprises for statistical purposes are based on their main line of activity, and so this designation suppresses other activities, which may be substantial. Many family fortunes are associated with corporations whose origin was a particular kind of industrial activity, but which over time has become more and more involved in coordinating and financing the operations of other corporations.

In other words, to some degree, the 'merger' of industrial and financial capital has been achieved within corporations rather than between corporations. At the same time, while internal financing and uniting financial and industrial functions within a single corporation may have changed the role of specialized financial intermediaries, it does not seem to have displaced them. As Henwood notes, if anything, the opposite appears to be the case in the corporate world, where "the influence from the financial sphere...[is]...greater than at any time since the 1920s" (Ibid., 264).

In summary, while the degree to which finance capital may take the form of single corporations is important to consider, it is also still important to address how separate corporations are linked and to what degree. In addition, conventional sector designations are often imperfect, but they offer a beginning point for analysis of the relation between financial and industrial capital.

**6.7 Summary and directions further investigation**

This chapter reviewed past evidence on whether or not independent finance capital exists in Canada. Characterizations of Canada as an imperialist country assume that Canada is similar to other leading capitalist countries that developed monopolistic alliances between financial and industrial corporations. The 'new' Canadian political economy that emerged in the late 1960s argues that Canadian dependency partly results from the absence of indigenous national capital strongly rooted in both financial and industrial sectors of the economy.

Several relevant areas of evidence were reviewed. On the issue of monopoly, the evidence shows that the kind of economic concentration assumed by the theory of finance capital does exist in Canada. There is considerable evidence against the 'Naylor-Clement' theory assumed by many supporters of the dependency model of Canada. This theory exaggerates the rivalry and division between financial and industrial sectors of capital in the 19th century. Carroll (1986) provides an alternative to the dependency interpretation of Canadian economic history, in which Canadian finance capital emerges around the CPR-Bank of Montreal group of corporations. With regard to the relations between sectors of capital in recent decades, studies of directorship links by Carroll (1986) and Ornstein (1989) effectively challenge Clement's (1977) evidence that Canada lacks a well-integrated network of corporations in different sectors.
On the other hand, the ownership links between banks and industry assumed by the classic ‘German’ model of finance capital are not present in Canada. Some writers argue that financial-industrial alliances exist within the conglomerates or enterprise structures that are prominent in the Canadian economy. However, even in the more flexible ‘Anglo-American’ model of finance capital, some ownership links must exist between financial and industrial sectors of capital. Little evidence has been provided of the extent to which these links exist in Canada.

In the past, directorship studies have been used to study corporate networks in Canada, but it seems evident that ownership links provide an important basis of evidence for this purpose. Using a combination of ownership and directorship data to analyze corporate control is likely to result in the most reliable results. However, the single most important element of finance capital needing further investigation is ownership links between sectors of capital. If there are strong networks of corporations spanning both financial and industrial sectors, they should be detectable on the basis of ownership links alone, even if directorship and other links are required to define the full network. In the next chapter, I combine ownership information from Statistics Canada with financial information from business publications to test whether ownership ties between the leading corporations in Canada are consistent with the theory of ‘Anglo-American’ finance capital.
Chapter 7: Is there independent Canadian finance capital?

The nationalist school... contributed to the analysis of foreign control...[but]... it unfortunately neglected to study the indigenous ruling class.

-- Jorge Niosi (1981 [1978], 12)

7.1 Introduction

In the preceding chapter, I cited evidence against the assumption in the dependency model that capital in Canada is unusually divided along sectoral lines. In particular, directorship studies by writers like Ornstein (1989) effectively challenge Clement’s (1977) evidence for the dependency position. However, while the directorship evidence is consistent with the imperialist model’s assumption that Canadian finance capital exists, additional evidence that financial and industrial corporations are effectively linked through ownership links is required. It is well established that banks in Canada do not own significant equity in most industrial corporations. The question is thus whether industrial corporations in Canada are linked through ownership with other major financial institutions, and whether these links form networks of ‘Canadian’ corporations that are distinct from the foreign-controlled corporations in Canada.

7.1.1 Enterprises a form of finance capital?

In this chapter, I investigate one possible form of finance capital in Canada, by examining the sectoral composition of the network of large corporations controlled by a common parent corporation. Statistics Canada defines a group of corporations under common control as an enterprise. The general question investigated here is whether a significant proportion of these enterprises include both large industrial and financial corporations. In other words, I examine if this is one way that financial and industrial capital have ‘coalesced’ in Canada.

If the largest enterprises in Canada hold controlling ownership positions in large corporations in both financial and industrial sectors, it partly challenges the dependency model’s assumption that capital in Canada is relatively divided along sectoral lines. If, in addition, there are relatively few foreign corporations connected to Canadian-controlled enterprises (and vice versa), it challenges the view that Canadian capital is closely interlinked with and subordinated to foreign capital, i.e., that there is no national finance capital in Canada.

Conversely, if there are few ownership links between financial and industrial corporations, it challenges the imperialist model’s assumption that Canadian finance capital exists, even in the looser forms thought to characterize ‘Anglo-American’ capitalism. And, if there are strong ownership links between the foreign and Canadian corporations associated with these enterprises (especially between US and Canadian corporations), it challenges the assumption that the two have relatively distinct interests, i.e., that there is independent Canadian imperialism.
7.1.2 Scope of this investigation

It is necessary to underscore that the issues addressed in this chapter are relatively narrow. First, I do not take up the theory of finance capital in general. It seems to me that both the general significance of finance capital and specific forms of finance capital (including the ‘Anglo-American’ model) need better theoretical elaboration. In the previous chapter, I cited some points that need clarification. One broad issue, which I set aside in this investigation, is the extent to which capital has become ‘de-nationalized’. Another more ‘technical’ point is the extent to which financial and industrial activities are carried out within the same corporation. This raises the relevance of trying to detect linkages between corporations in different sectors of the economy.

Despite these qualifications, I think it is still useful to examine the issue of finance capital along the lines of its traditional formulation, that is, in terms of the ownership links that exist between financial and industrial corporations. For the purposes of this study, I assume that a pattern of ownership connections between separate industrial and financial corporations is a necessary condition for the existence of finance capital. However, comparable information about ownership links between corporations in other countries is not available. It is therefore hard to judge if the extent of these ownership links in Canada is similar to countries where it is generally accepted that finance capital, in particular the ‘Anglo-American’ form of finance capital, exists.

The second point to emphasize is that while there are other ways in which industrial and financial capital are linked, my purpose here is only to explore the ownership dimension. It is often hard to detect all the possible ownership links and to interpret their significance without information regarding other kinds of connections. I noted in Chapter 6 that shared directorships have traditionally been considered one of the most important ways that corporations are linked with each other. Further investigation of directorships and other connections are required to balance out the one-sided focus on ownership links in this study.

In the third place, I only investigate these relations within Canada. Only those corporations and enterprises with a presence within Canada are considered in this study. The data sources used do not detail corporations owned in foreign countries, or the ownership links that may exist outside Canada between Canadian-controlled corporations and non-Canadian corporations. This obviously results in a partial picture of corporate capital in Canada, especially given the extent of Canadian foreign investment that I discussed in Chapter 5. However, if Canadian finance capital exists, its main base is presumably domestic, and so the most important corporations to investigate are those within Canada.

Fourthly, I also only investigate one point in time, namely, the year 1998. Corporations are constantly being formed, bought, sold, merged and shifted into new lines of activity. There has been a trend in recent decades to break up conglomerate-type corporate organizations. This suggests that the enterprise unit, which is the focus of this study, may be less important than in the past. There may also be important differences between how financial and industrial corporations relate at various stages of the business cycle. For example, during economic crises bank credit to industrial corporations is more likely to be secured by direct ownership of equity.
Fifth, several limitations are imposed by my sources of data. In particular, financial information is only available for the largest 1529 corporations in Canada (ranked by revenues). Many ‘middle-sized’ corporations are thus excluded from detailed consideration, and corporations of this size are probably more common in industrial sectors than in financial sectors. Some financial-industrial links may thus not be identified.

The ownership threshold for designating control of a corporation in the data sources is also an important assumption of this study. I rely on Statistics Canada’s determination of control, which is based on share ownership of more than 50% (or 33% in a block larger than the next two blocks combined). This ownership threshold is significantly higher than the 20% level that is often assumed to enable effective control. It is also a higher rate of ownership than is probably characteristic of the ‘looser’ Anglo-American form of finance capital. However, I noted in the last chapter that most corporations in Canada are majority owned, so the difference between applying a 50% and 20% threshold may not be great.

A final point is that the source used for ownership information is structured to identify ownership links within enterprises. It is more difficult to identify the minority ownership links that may exist between corporations that are controlled by different enterprises, and it is possible that some instances of this kind were not detected. This is particularly true where the ownership interest in a given corporation is obscured by a series of intermediary companies (e.g., investment or holding companies) for which financial information is not available. Most searches for ownership links were prompted by the availability for financial information for the corporations in question.

7.2 Description of data sources
I combined two main sources of data to study the leading enterprises in the Canadian economy. The information on the ownership, sector and nationality of corporations is provided by Statistics Canada’s (1999a) Intercorporate Ownership catalogue (hereafter ICO). However, this source does not provide financial information that identifies the relative size or importance of these corporations. This data was thus obtained from the annual listings of the largest corporations in the country published by the Financial Post (1999) and the Globe and Mail [Report on Business] (1999). The names of large corporations in the latter two sources were matched to the names of corporations in Intercorporate Ownership, and the available data for these corporations was merged into a spreadsheet file.

7.2.1 ICO enterprises
The ICO is a database on the approximately 90,000 corporations in Canada with a foreign debt or equity greater than $200,000, or that are controlled by an enterprise with total assets greater than $10 million or revenues of $15 million. The main source of information for the ICO is returns filed by corporations under the Corporations and Labour Unions Returns Act (CALURA). In addition, information is derived from surveys, annual stockholding reports, international press sources, Toronto Stock Exchange reports, Moody’s, and data from the federal Department of Consumer and Corporate Affairs (Statistics Canada, 1999b).
The most significant aspect of this publication for the purposes of this study is that it assigns corporations to enterprise structures (groups of corporations under common control). Many of corporations and the enterprises to which they belong are not widely recognized as significant business units. For example, some are rarely, if ever, discussed in the business press. Information on the corporations includes percentage share of largest owner; industrial classification; type of owner (e.g. family, trust, government, financial institution, non-financial corporation etc.); country of control; and province of head office.

The ICO database can be searched by a variety of criteria, including the names of corporations. A search for a particular corporation reveals if it is part of an enterprise structure, and if there are "investors" (significant but non-controlling shareholders) in that corporation. Enterprises are depicted through a tiered listing of all corporations ultimately controlled by a common parent corporation, which is the head of the enterprise (Table 7.5 below provides an example of the ICO information for a large enterprise).

In most cases, the ICO designation of control is based on ownership of a majority of shares. In some cases, control is also designated on the bases of ownership of one-third of the shares in a block larger than the next two blocks combined, and other criteria, like joint membership in boards of directors of other corporations, is also considered. Control is designated on direct grounds (e.g. 51% ownership of the given corporation), indirectly (e.g. 51% of the ownership of an intermediary corporations which in turn owns 51% of the given corporation), and through cumulative ownership (e.g. 51% ownership in each of 2 intermediary corporations whose combined ownership of the given corporation is 51%). In addition to identifying the corporations controlled by the enterprise, the ICO tiered listing of corporations also includes those in which a member corporation owns a significant but minority share of ownership (usually between about 5% and 50%). These corporations are grouped with the others controlled by the enterprise parent, but are identified as being controlled by a different enterprise.

The ICO identifies corporations and enterprises as being foreign-controlled if a majority of their voting equity is held in foreign countries, or by corporations in Canada that are foreign-controlled. If the ownership shares held within and outside Canada are equal, the corporations is also considered foreign-controlled.

The ICO reports the industrial category of each corporation in terms of either the Standard Industrial Classification for Corporations (SIC-C), or for Enterprises (SIC-E). I used the SIC-E designation for two reasons. It more closely follows the traditional division of the economy by stage of activity (primary, secondary and tertiary), and this made it easier to divide corporations into the two general sectors, 'finance' and 'industry' (see below). In addition, the establishment unit is smaller than the corporation unit, and so it presumably better reflects the nature of economic activity in question.

While the ICO provides the most authoritative information on intercorporate ownership in Canada, it does not identify the size of individual corporations or enterprises in terms of financial categories like revenues, assets or profits. It is thus not possible to identify the largest corporations and enterprises in terms of financial criteria. In the absence of financial information,
it is also not possible to evaluate the relative size or importance of the 'industrial' as opposed to 'financial' corporations that belong to a given enterprise.
Table 7.5: The Westcoast Energy Inc. enterprise

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Source: adapted from Statistics Canada (1999a).

The column headings are: CTL - Country of control; SICE - Standard Industrial Classification (Establishment); RES - Province (or other country) of headquarter residence; % - Percent equity ownership by parent company listed above; C - Classification: D indicates not controlled by this enterprise; R indicates a repeat listing; Level and corporation name - Level in terms of tier of ownership in this enterprise; INVESTOR - Investor (non-controlling), i.e., a part owner of this enterprise.  

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7.2.2 ROB-FP corporations

I used the most accessible sources available to identify the largest or ‘dominant’ corporations in Canada (based on their annual assets, revenues, or profits), the annual listings by the Financial Post (FP), and the Globe and Mail Report on Business (ROB). These compilations are usually derived from annual company reports, supplemented by information from the business press.

These publications follow slightly different approaches to ranking corporations in Canada. The ROB lists the top 1000 public corporations in order of profits, a separate list of the 300 largest private corporations ranked by revenues, and other, shorter lists of the largest government-owned corporations and corporations in individual sectors of the economy. In contrast, the main FP ranking of corporations is by revenues. It also provides separate listings of the top 800 non-financial corporations, the top 300 financial corporations, the top 100 subsidiaries, and shorter lists of government-owned corporations and the largest corporations in various individual sectors.

I began with the ROB’s ‘top 1000’ corporations, plus the ‘top 300’ private companies and shorter listings of corporations by sector. The FP listing then yielded an additional 140 corporations that were not included in the ROB listings (most were either subsidiaries of other corporations or financial corporations). The result was a list of the 1529 largest corporations in Canada. This list includes co-ops, credit unions and pension funds (all of which are referred to here as corporations), and government-owned corporations that operate on a commercial basis, e.g. Ontario Hydro and the Canadian Wheat Board. Where appropriate, I converted financial totals that were reported in US dollars to Canadian dollars.

One important point regarding the financial data for these corporations is that it is often hard to determine if the totals for a given corporation include the activity of subsidiary corporations. The ROB, which is the source for most of the list of 1529 corporations, does not identify whether corporations are subsidiaries of other corporations, or whether the financial totals quoted consolidate data from subsidiaries. The FP lists the “Top 100 Subsidiaries” separately, and where they are large enough to also qualify for its “Top 800” non-financial corporations, or the “Top 300” financial corporations, they are repeated in these lists. For example, Loblaw Inc. is 100% owned by Westons Ltd., and is included in both the subsidiary list and the main list. However, the FP notes that financial totals for such firms do include their subsidiaries, i.e., Weston’s totals include Loblaw’s.

As a result, some financial totals are double-counted, although it is not possible to be sure when this is the case. Since the ROB and FP data is taken from annual reports of corporations, it is probably best to assume that subsidiary financial data is consolidated with that reported by the parent corporation. The general accounting standard is to do so where shareholding is ‘significant’, e.g., exceeds about 20%. The uncertainty about how financial totals are consolidated means that the financial totals for the ROB-FP corporations in a given enterprise provide only a rough indication of its size relative to other enterprises.

There are also discrepancies between the ROB and FP regarding financial totals for some corporations, and between both of them and the ICO regarding share ownership and sector of
activity. In a number of cases, the identity of a corporation was ambiguous, usually because the ROB or FP used a more popular form of the corporation name (not the complete legal name), or translated it imperfectly from French. In cases of discrepancy or ambiguity, I relied first on the information in the ICO, followed by the ROB and then the FP.

There were a few obvious omissions by one or other source. For example, the ICO did not include a number of 'corporations' owned by governments (like the 'Alberta Heritage Savings' fund) that are listed by the ROB and FP. Another example is that neither the ROB nor the FP included corporations owned by the Irving family in New Brunswick, although it seems certain that some (e.g., Irving Oil Ltd.) are large enough that they should have qualified.

7.3 The 'Top 25' enterprises in Canada
Two samples are analyzed in this study. Both are subsets of the ICO enterprises and ROB-FP corporations. The size of these samples and the extent of analysis performed are mainly limited by the difficulty involved in manually matching the corporations in each data source. This manual procedure was necessary because it is difficult for automated methods to address the slightly different names often used by the two data sources for the same corporation, or the same names used for different corporations.241

7.3.1 'Top 25' enterprises sample
The first sample, on which most of the analysis in this chapter is based, is composed of the 25 largest enterprises in Canada (the 'Top 25'). These enterprises control 1741 member corporations, for which financial data for 150 large corporations is available from the ROB-FP.242 The second sample, on which less intensive analysis is performed, is composed of the 74 leading enterprises (the 'Top 74'). This group of enterprises controls 3960 corporations, and the ROB-FP provides financial data for 343 of these member corporations.243

Table 7.6: Description of samples

<table>
<thead>
<tr>
<th>Corporations associated with sample enterprises</th>
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<tbody>
<tr>
<td>1. ICO corporations associated with sample enterprises</td>
<td>'Top 25' enterprises</td>
</tr>
<tr>
<td>2. ICO corporations controlled by sample enterprises</td>
<td>'Top 74' enterprises</td>
</tr>
<tr>
<td>3. Total number of ROB-FP corporations</td>
<td>1741</td>
</tr>
<tr>
<td>4. Intersection of 2 and 3 above</td>
<td>3960</td>
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<td>5. Intersection of 2 and 3 above</td>
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<td>6. Intersection of 2 and 3 above</td>
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Source: Author’s database derived from ICO (Statistics Canada, 1999a), and ROB-FP (The Globe and Mail, 1999, and Financial Post, 1999). 166

Both samples are based on the general assumption that finance capital is composed of the largest enterprises in Canada. However, it is corporations rather than enterprises that report financial data (unless the enterprise is a single corporation or a parent corporation that completely consolidates the financial totals of its subsidiaries). The 'Top 25' sample thus approximates the true rank of enterprise size by using the rank of their largest member corporation. The second, 'Top 74' sample increases the number of corporations ranked, and adds other criteria for their inclusion in the sample.
To identify the largest enterprises in Canada, the ROB-FP corporations were first sorted by size, as measured by annual revenues. The ICO enterprise to which each ROB-FP corporation belonged was then identified. Next, the name of each corporation in the ICO enterprises so identified was checked against an alphabetized list of all 1529 ROB-FP corporations. Finally, in the minority of cases where a match was identified, the ICO and ROB-FP data for that corporation was merged into a common database.

Because some top-ranked corporations share an enterprise parent, it took the 31 largest corporations to identify the ‘Top 25’ enterprises (see Table 7.7 below). A ranking by assets would have identified 15 of the 25 enterprises identified by revenues, and a ranking by profits would have identified 17 of these enterprises. In some ways, assets would be a better basis for the ranking of corporations and enterprises, because assets express the stock of wealth at the disposal of owners, and are less volatile than revenues. However, many private companies refuse to divulge assets (or profits) but do report revenues. As a result, revenues provide a better comparison.

The main reason for ranking enterprises by the size of the largest member corporation is simply that financial information is not available for all member corporations. In addition, it is not clear when the ROB-FP information consolidates the financial information of subsidiary corporations. However, ranking enterprises by the size of the largest member corporation is obviously an imperfect solution. For example, the ‘Top 25’ sample does not include one of the most prominent enterprises in Canada, the EdperBrascan Corporation, because this enterprise did not qualify on the basis of the revenues of its leading corporation, Noranda Inc. It certainly would have qualified if the selection had been based on the total revenues of all member corporations. This enterprise also has more corporation members than any other in Canada (Edper Brascan Corporation is discussed further below, where it is depicted in Table 7.11).

Another prominent family enterprise that is obvious by its absence is The Irving Group. It seems very unlikely that a large corporation like Irving Oil Ltd. is not large enough to qualify in the ROB-FP sample. The Irving family is the second richest in Canada, with a net wealth of $6.7 billion (Canadian Business, 1999, 65). However, it seems their notorious aversion to publicity prevented the inclusion of these private corporations in the compilations by the ROB and FP. The ICO information on the Irving Group enterprise is listed in Table A.1 in the Appendix.

Despite the modest number of enterprises, the ‘Top 25’ sample represents a very significant portion of the Canadian economy. One indication of this is that CALURA reports that 49% of all corporate assets in Canada in 1993 were controlled by the 25 largest enterprises in the country (Statistics Canada, 1995a, 50). Statistics Canada does not report the names of the enterprises that compose this group, and for the reasons discussed above, we know they are not identical to the ‘Top 25’. However, it is reasonable to assume that the two groups represent roughly similar proportions of the Canadian economy.
### Table 7.7: Ranking of corporations and identification of ‘Top 25’ enterprises, 1998

<table>
<thead>
<tr>
<th>Rank</th>
<th>ROB-FP largest corporations</th>
<th>Rev. ($000)</th>
<th>Controlling ICO enterprise</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BCE Inc.</td>
<td>32,748,000</td>
<td>BCE Inc.</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>General Motors of Canada</td>
<td>31,800,000</td>
<td>General Motors Corp.</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Ford Motor Co. of Canada</td>
<td>27,911,591</td>
<td>Ford Motor Corporation</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Nortel Networks</td>
<td>26,927,164</td>
<td>BCE Inc.</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Chrysler Canada</td>
<td>20,712,000</td>
<td>DaimlerChrysler A.G.</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Cdn. Imperial Bank of Commerce</td>
<td>19,804,000</td>
<td>Cdn. Imperial Bank of Commerce</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Royal Bank of Canada</td>
<td>19,761,000</td>
<td>Royal Bank of Canada</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>TransCanada PipeLines</td>
<td>17,385,000</td>
<td>TransCanada Pipelines Ltd.</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Bank of Montreal</td>
<td>17,239,000</td>
<td>Bank of Montreal</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>Seagram Company</td>
<td>16,441,647</td>
<td>Charles Rosner Bronfman Group</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Bank of Nova Scotia</td>
<td>15,949,000</td>
<td>Bank of Nova Scotia</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Power Corporation</td>
<td>15,275,000</td>
<td>Le Groupe Desmarais</td>
<td>12</td>
</tr>
<tr>
<td>13</td>
<td>George Weston Ltd.</td>
<td>15,161,000</td>
<td>The Weston Group</td>
<td>13</td>
</tr>
<tr>
<td>14</td>
<td>Power Financial</td>
<td>14,987,000</td>
<td>Le Groupe Desmarais</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>Great-West LifeCo</td>
<td>13,756,000</td>
<td>Le Groupe Desmarais</td>
<td>15</td>
</tr>
<tr>
<td>16</td>
<td>Great-West Life Assurance</td>
<td>13,755,000</td>
<td>Le Groupe Desmarais</td>
<td>16</td>
</tr>
<tr>
<td>17</td>
<td>Sun Life Assurance of Canada</td>
<td>13,696,000</td>
<td>Sun Life Assurance of Canada</td>
<td>17</td>
</tr>
<tr>
<td>18</td>
<td>Toronto-Dominion Bank</td>
<td>13,194,000</td>
<td>Toronto-Dominion Bank</td>
<td>18</td>
</tr>
<tr>
<td>19</td>
<td>Loblaw Companies</td>
<td>12,530,000</td>
<td>The Weston Group</td>
<td>19</td>
</tr>
<tr>
<td>20</td>
<td>Alcan Aluminium</td>
<td>11,894,462</td>
<td>Alcan Aluminium Ltd.</td>
<td>20</td>
</tr>
<tr>
<td>21</td>
<td>Manulife Financial</td>
<td>10,611,000</td>
<td>The Manufacturers Life Insurance Co.</td>
<td>21</td>
</tr>
<tr>
<td>22</td>
<td>Bell Canada</td>
<td>10,561,000</td>
<td>BCE Inc.</td>
<td>22</td>
</tr>
<tr>
<td>23</td>
<td>Canadian Pacific</td>
<td>10,247,000</td>
<td>Canadian Pacific</td>
<td>23</td>
</tr>
<tr>
<td>24</td>
<td>Thomson Corporation</td>
<td>9,376,158</td>
<td>The K.R. Thomson Group</td>
<td>24</td>
</tr>
<tr>
<td>25</td>
<td>Magna International</td>
<td>9,307,300</td>
<td>Strochna Trust</td>
<td>25</td>
</tr>
<tr>
<td>26</td>
<td>Onex Corporation</td>
<td>9,135,131</td>
<td>G.W. Schwartz Group</td>
<td>26</td>
</tr>
<tr>
<td>27</td>
<td>Ontario Hydro</td>
<td>8,979,000</td>
<td>The Government of Ontario</td>
<td>27</td>
</tr>
<tr>
<td>28</td>
<td>Hydro-Québec</td>
<td>8,812,000</td>
<td>Le Gouvernement du Québec</td>
<td>28</td>
</tr>
<tr>
<td>29</td>
<td>IBM Canada</td>
<td>8,700,000</td>
<td>International Business Machines Corp.</td>
<td>29</td>
</tr>
<tr>
<td>30</td>
<td>Imasco Ltd.</td>
<td>8,588,000</td>
<td>B.A.T. Industries PLC</td>
<td>30</td>
</tr>
<tr>
<td>31</td>
<td>Bombardier Inc.</td>
<td>8,537,300</td>
<td>Le Groupe de la Famille Bombardier</td>
<td>31</td>
</tr>
</tbody>
</table>

Note: Corporations ranked by 1998 revenues; enterprises ranked by revenues of largest member corporation.
Source: Author’s database derived from ICO and ROB-FP; see Appendix for details.

I will first discuss the analysis of the ‘Top 25’ sample of enterprises, and further below consider the ‘Top 74’ sample of enterprises. Although similar points are discussed about both samples, it was not possible to carry out as detailed an investigation of the ‘Top 74’ sample. Different criteria were also used to select the enterprises in this sample. It is thus appropriate to consider the two samples separately. Most of the analysis is based on simple sorting and counting procedures that are easily (but tediously) performed in a spreadsheet computer program. More procedures would be possible and more easily carried out in a database program, but this turned out to be more difficult to assemble than had been anticipated.

#### 7.3.2 The enterprise unit of analysis

The first point is to affirm the significance of the enterprise (as opposed to the corporation) as a unit of analysis. Some enterprises are relatively well-known corporations, like Canadian Pacific...
Ltd. However, many others have very little public presence, and in these cases, the term “shadow group” proposed by Antoniou and Rowley (1989) seems very appropriate. For example, corporation names like Power Corporation Ltd., London Life Insurance Company and Investors Group Ltd. are relatively familiar. However, their common control by Le Group Desmarais is less well known, or that this enterprise also owns parts of many other well-known corporations like Marks Work Wearhouse, The Second Cup, International Forest Products, Penn West Petroleum, Unihost Corporation, AMR Technologies, Acetex Corporation and Philips Services Corporation (Figure 7.15 below depicts Le Groupe Desmarais enterprise).

One quantitative indication of the significance of the enterprise unit is that the ‘Top 25’ enterprises control 1741 corporations, and these enterprises own significant but non-controlling shareholdings in another 600 corporations. Of course, many of these corporations are quite small. However, the significance of the enterprise unit is also evident when the number of large, well-known corporations is considered. Many of the ROB-FP large corporations in Canada are controlled by a different parent corporation. Often that parent is a holding company, probably established for various taxation and legal reasons, and it may be actively involved in the affairs of subsidiary corporations.

When the 50 largest corporations identified by the ROB-FP are ranked in turn by revenues, assets and profits, the combined number of corporations is 91. These corporations are controlled by 55 enterprises, i.e., a substantially lower number than the 91 corporations. If the threshold for control was reduced to 20 or 25% a few additional corporations would be included in this total.

In other words, lists of leading corporations like those in the ROB and FP fail to reflect the higher levels of control to which these corporations are subject. This is significant in terms of the issue of finance capital for several reasons. The most important concerns the central role of monopoly in this theory. The extent of monopoly in the economy, especially aggregate monopoly, is underestimated when the focus is on the corporation unit rather than the enterprise unit. This may influence the extent to which investment credit is made ‘internally’ rather than through public capital markets. Another consideration is the possible extent of ‘unequal exchange’ between smaller and more competitive sectors of capital and those with monopolistic power. Finally, the extent of monopoly is also a motive for exporting capital, as the most profitably domestic investment opportunities are already taken.

Another point about the enterprise unit is that certain indirect relations may exist between corporations by virtue of their control by a common parent organization. For example, the management and financing of subsidiary corporations may be decided in common without there being any direct ownership link between those corporations, and without any other link of the kind usually investigated, like sharing corporate officers or directors. According to Morck (1998), the enterprise system is more prevalent in Canada than in other advanced capitalist countries. It is thus particularly important to address enterprises as well as corporations in considering the nature of Canadian capitalism.
7.3.3 Foreign control

In Canada, an important issue is the extent of foreign control among the very largest enterprises in Canada, and how many ownership linkages exist between foreign and Canadian corporations. I will first discuss foreign control over the sample enterprises as a group, and general aspects of the ownership links between foreign and Canadian capital. Further below, where I describe the sectoral composition of each ‘Top 25’ enterprise, I will return to specific instances of ownership connections between Canadian and foreign corporations.

As argued in Chapter 4, many accounts of foreign control of the Canadian economy fail to acknowledge that the very enterprises in Canada are more Canadian-controlled than is the corporate economy as a whole. However, the low rate of foreign control among the 25 largest enterprises I cited to make this point is for the group as a whole, and CALURA does not report the individual identities of the 25 enterprises. The ROB-FP financial data can be used to approximate the enterprises to which the CALURA rates of foreign control refer.

Looking first at corporations, of the top 25 corporations in Canada ranked by revenues, the foreign-controlled corporations are General Motors of Canada, Ford Motor Co. of Canada, and Chrysler Canada. When ranked by assets, the foreign controlled corporations are Imasco Ltd. and CT Financial Services, and when ranked by profits, they are Imasco Ltd. and the Ford Motor Co. of Canada. The US-owned auto companies are near the top of the ranking by revenues, and the foreign share of the revenues reported by the ROB-FP for the largest 25 corporations is a significant 19% of the total. In the ranking by assets the foreign share of assets accounts for a more modest 6% of the total and when ranked by profits, the foreign share of total profits is 4% (calculations from author’s database)....

The sample of ‘Top 25’ enterprises exhibits similar rates of foreign ownership and control. Financial data for all corporations in the enterprise unit is not available, but of the large ROB-FP corporations that are controlled by these enterprises, the foreign share of revenues is 21%, and the foreign share of assets is 7%. We can also compare the number of foreign and Canadian corporations associated with these enterprises. The total number of foreign-controlled corporations in the ‘Top 25’ group of enterprises is about 16% of the total. Of the 150 corporations in this group that are large enough to be included in the ROB-FP sample, 20 are foreign controlled, or 13% of the total.

The main point is that these rates of foreign control in the ‘Top 25’ group of enterprises are lower than for foreign control of all corporations in Canada. According to Statistics Canada, foreign control of the revenues of all corporations in Canada in 1996 was 31%, and foreign control of corporate assets was 24% (Statistics Canada, 1998a, 53). The 20.6% and 7.4% estimates of foreign control for the ‘Top 25’ enterprises cited above do not include small corporations for which no financial data is available, but which are predominantly Canadian controlled. This means that the estimates of foreign control among the ‘Top 25’ enterprises are the upper limit for this group; the rates including small corporation members would be lower. CALURA reports that foreign control over assets of the largest 25 enterprises in Canada in 1988 (a similar but not identical group to the ‘Top 25’ sample) was only 3.6% (Ibid.).
This comparison is limited by incomplete financial data, but it does confirm that foreign control among the largest corporations and enterprises in the economy is lower than in the economy as a whole. This is consistent with the imperialist model’s assumption that Canadian capital has retained considerable control at the very centre of corporate power in Canada.

A second aspect of the issue of foreign control is the relationship between foreign- and Canadian-controlled corporations and enterprises within Canada. In addition to high rates of direct foreign control, the dependency model assumes that additional foreign influence results from the fact that Canadian capital is highly integrated with foreign capital (especially U.S. capital), i.e., that it has not retained a distinct identity or ‘national’ interests.

It is only possible to examine some aspects of this issue with the ICO database. At the level of the enterprise parent, ICO identifies instances of ‘investors’ who own significant but non-controlling share of equity in that enterprise, and their nationality. It also identifies instances where the enterprise owns a minority share of a corporation, but that corporation is controlled by a different enterprise. It is also possible to search for the ‘investors’ in corporations that are controlled by the enterprise but in which other enterprises hold minority shares.

As previously noted, one significant limitation of the ICO database is that it only covers corporations that have a presence in Canada. In other words, it expresses ownership links between Canadian and foreign capital within Canada, but it does not report the links that exist outside Canada unless those corporations also have a presence within Canada. A more practical limitation is that often multiple searches that are necessary to exhaust the possible ownership links in cases of corporations that have more than one shareholder.

The first point of evidence about ownership links between foreign and Canadian capital within the ‘Top 25’ group is the number of enterprises with foreign investors. According to the ICO, two US-controlled corporations own a combined 49.16% of Alcan Aluminum Ltd., one US corporation owns 11.42% of BCE Inc., and another owns 11.73% of TransCanada Pipelines Ltd. In other words, in addition to the five enterprises that are foreign controlled, ‘foreigners’ own almost half of one enterprise (Alcan Aluminum), and smaller shares of two other ‘Top 25’ enterprises. However, the number of Canadian-controlled enterprises with a significant minority block of foreign shareholders is a minority of the total.

A second point of evidence is the number of corporations that are jointly owned by foreign and Canadian-controlled enterprises. The ICO data indicates there are 600 instances of non-controlling ownership shares among the 2341 corporations associated with the ‘Top 25’ enterprises. Of this number, only 65 are instances where foreign-controlled corporations own shares in Canadian-controlled corporations, and only 5 concern corporations that are large enough to be included in the ROB-FP sample. For their part, the five foreign-controlled enterprises in the ‘Top 25’ group have significant but non-controlling shareholdings in 46 Canadian-controlled corporations, or 14% of the 337 corporations associated with these enterprises. In other words, there are ownership links between Canadian and foreign capital within the ‘Top 25’ enterprises, but they involve a relatively small number of the corporations associated with these enterprises.
One particular point of interest is the ownership linkage between the major chartered banks in Canada and foreign controlled corporations in Canada. Naylor (1975, 1977) argues that the Canadian banks have historically been allied with U.S. rather than Canadian industrial capital in Canada. Park (1973, 102) claims that directorship links show that the leading Canadian banks are integrated into US-dominated groups of finance capital (e.g. Bank of Montreal and Royal Bank of Canada with Morgan, Mellon and Rockerfeller corporations in the U.S.).

As previously noted, the ICO does not report ownership of corporations outside Canada, but the information that is available does not point in the direction suggested by Naylor and Park. Of the 440 corporations associated with the 5 largest banks, only 12 (less than 3%) are foreign controlled, and none of these corporations are large enough to be included among the ROB-FP list of the 1529 largest corporations in the country. If Naylor and Park were correct, it would be reasonable to expect a greater foreign presence than these numbers suggest. The modest number of joint Canadian and foreign ownership of corporations in Canada does not indicate that Canadian capital is tightly integrated with foreign capital.

I should repeat that this evidence on ownership ties between foreign and Canadian enterprises is only partial. It is possible that some instances of minority ownership are not represented, including foreign minority shareholdings. However, it is unlikely such foreign minority ownership positions are very significant. For example, almost 60% of the corporations associated with the Canadian enterprises in the ‘Top 25’ group are 100% owned by that enterprise. Most of these shareholdings are in small corporations, and a large majority of the latter group is Canadian controlled.

The evidence discussed above confirms that the rate of foreign control among the very largest corporations in the country is lower than in the economy as a whole. It also indicates there are relatively few instances of joint ownership of corporations in Canada by foreign and Canadian capital. To put it another way, Canadian capital dominates the largest corporations in the country and, within Canada, Canadian capital is relatively distinct and separate from foreign capital. This evidence is more consistent with the imperialist model of Canada than the dependency model.

7.3.4 Ownership links between corporations in financial and industrial sectors
I now turn to the pattern of ownership links between leading financial and industrial corporations. Where appropriate, I will also note significant instances of joint ownership by Canadian and foreign corporations to clarify further the extent of connections between Canadian and foreign capital.

Definition of ‘industry’ and ‘finance’
Table 7.8 below summarizes the SIC-E categories, and how for the purposes of this study, corporations are divided between ‘industry’ and ‘finance’, i.e., approximations of the two general sectors of capital that compose ‘finance capital’. The allocation of financial and insurance industries (SIC-E 7011 to 7499) to the ‘financial’ side of finance capital is straightforward. The main sub-divisions of the ‘financial’ industries are chartered banks, trust companies, insurance companies, investment companies and holding companies.
'Industry' is then composed of all non-financial industries other than government activities, i.e., agriculture, mining, manufacturing, and construction (0111 to 4499), transportation, communication and utilities (4511 to 4999), trade (5011 to 6921) and services (7511 to 9999). This is a very general definition, but it follows the traditional sense of industry being composed by corporations who primarily generate new wealth as opposed to corporations who are primarily financial intermediaries, i.e., who circulate existing wealth.

In a significant number of cases, corporations have a SIC-E designation that is 'financial', but they are better known for their 'industrial' activities. One reason for this is that a subsidiary may be the unit actually engaged in industrial activities, while the parent functions as an investment or holding company. For example, the ICO designates Canfor Corporation Ltd. as a "holding company", but almost all its subsidiaries (most of which are wholly owned) are forestry manufacturing corporations. If financial data was available for all the corporations in the enterprise hierarchy it might be possible to distinguish cases where a large majority of the revenues of a given 'financial' corporation are actually generated by industrial subsidiaries from those where the financial corporation generates significant revenues from its own financial operations. In the absence of this data, I simply accept the ICO's industrial designation. This probably results in a significant bias towards identifying corporations as financial rather than industrial.

The above description makes it clear that this division of corporations into 'industry' and 'finance' is crude. However, it provides a first approximation of the kind of sectoral definitions that are traditionally invoked by the theory of finance capital, and is a beginning point for more sophisticated operationalizations of these sectors.
Table 7.8: ‘Industry’ and ‘Finance’ by Standard Industrial Classification (SIC-E)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>from</td>
<td>to</td>
<td></td>
</tr>
<tr>
<td>Agriculture and related service industries</td>
<td>0111</td>
<td>0239</td>
<td>X</td>
</tr>
<tr>
<td>Fishing and trapping</td>
<td>0031</td>
<td>0339</td>
<td>X</td>
</tr>
<tr>
<td>Logging and forestry</td>
<td>0411</td>
<td>0511</td>
<td>X</td>
</tr>
<tr>
<td>Mining, quarrying and oil well</td>
<td>0611</td>
<td>0929</td>
<td>X</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1011</td>
<td>3999</td>
<td>X</td>
</tr>
<tr>
<td>Construction</td>
<td>4001</td>
<td>4499</td>
<td>X</td>
</tr>
<tr>
<td>Transportation and Storage</td>
<td>4511</td>
<td>4799</td>
<td>X</td>
</tr>
<tr>
<td>Communication and other utility</td>
<td>4811</td>
<td>4999</td>
<td>X</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>5011</td>
<td>5999</td>
<td>X</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>6011</td>
<td>6921</td>
<td>X</td>
</tr>
<tr>
<td>Deposit accepting institutions</td>
<td>7011</td>
<td>7099</td>
<td>X</td>
</tr>
<tr>
<td>Consumer and business financing</td>
<td>7111</td>
<td>7129</td>
<td>X</td>
</tr>
<tr>
<td>Investment Intermediary</td>
<td>7211</td>
<td>7299</td>
<td>X</td>
</tr>
<tr>
<td>Insurance</td>
<td>7311</td>
<td>7339</td>
<td>X</td>
</tr>
<tr>
<td>Other Financial Intermediary</td>
<td>7411</td>
<td>7499</td>
<td>X</td>
</tr>
<tr>
<td>Real Estate and insurance agent</td>
<td>7511</td>
<td>7611</td>
<td>X</td>
</tr>
<tr>
<td>Business service</td>
<td>7711</td>
<td>7799</td>
<td>X</td>
</tr>
<tr>
<td>Government service</td>
<td>8111</td>
<td>8599</td>
<td></td>
</tr>
<tr>
<td>Health and social services</td>
<td>8611</td>
<td>8699</td>
<td>X</td>
</tr>
<tr>
<td>Accommodation, food, beverage service</td>
<td>9111</td>
<td>9221</td>
<td>X</td>
</tr>
<tr>
<td>Other service</td>
<td>9611</td>
<td>9999</td>
<td>X</td>
</tr>
</tbody>
</table>


I will first describe the general sectoral breakdown of all the corporations belonging to the ‘Top 25’ enterprises. Of the approximately 2300 corporations that have an SIC-E designation (20% do not), 13% of the corporations controlled by these enterprises are in primary or secondary industries; 16% are in transportation/communications/utilities/trade; 46% are in finance/insurance; and 25% are in service industries."

The sectoral breakdown of the subset of the 150 large ROB-FP corporations associated with the ‘Top 25’ is similar to all associated corporations, except for the relative size of primary and secondary industries as compared to service industries. About twice as many (26%) are in primary or secondary industries, and a similar proportion (15%) are in transportation/communications/utilities/trade. The financial/insurance industries account for the same proportion as above, 46%. 13% are in ‘service’ industries."

With this general background on the sector of these corporations, I now turn to the ownership links between ‘industrial’ and ‘financial’ corporations within enterprises. In doing so, I will focus on those corporations that the ICO associates with the enterprise and that are large enough to be included in the ROB-FP sample of the 1529 largest corporations in Canada. Where relevant, I will note the characteristics of other, smaller corporations. I will also note individual instances of direct and indirect ownership links between foreign and Canadian corporations.

Three kinds of enterprises
To discuss the ‘Top 25’ enterprises in terms of the theory of finance capital, it is useful to group them into three analytical categories based on the sectoral composition of their large member
corporations. This grouping is provisional for two reasons. The first is that this study represents an initial stage of analysis. The three categories of enterprises help to focus on some patterns in the data, but may not prove very useful for further work. The second reason the grouping is provisional is that systematic consideration of additional information on the corporations in question would probably change the grouping. This is particularly true of more information on the sectors of activity of the corporations; the minimum size of corporations considered; the definition of control; finances, and the activities of Canadian corporations outside Canada.

Where such information is available and is obviously relevant, I adjusted the grouping of the enterprises that would have resulted from only applying the main criteria for this exercise.

I call the first category ‘financial enterprises’. The large corporations controlled by these enterprises (large being defined by inclusion in the ROB-FP sample) are exclusively financial corporations (that is, their SICE is between 7011 and 7499 ~ banks, trusts, insurance, holding and investment corporations). In some cases, these enterprises own non-controlling shares of ‘industrial’ (i.e., non-financial) corporations, or control small (non ROB-FP) industrial corporations. However, I call them ‘financial enterprises’ to underline the absence of significant equity held in large ‘industrial’ corporations. In other words, these enterprises do not exhibit significant, direct ownership links between financial and industrial corporations.

The second category is ‘industrial enterprises’. The large (ROB-FP) corporations these enterprises control are all in ‘industrial’ (i.e., non-financial) sectors. Like the ‘financial enterprises’, this enterprise category does not exhibit significant direct ownership links between industrial and financial corporations. However, in some cases the head of an enterprise that is predominantly devoted to industrial activities is described by the ICO as a financial corporation. In cases where it seemed evident that such an enterprise is not significantly involved in financial activities that are independent of its main industrial activities I call them ‘industrial enterprises’. Where a predominantly industrial enterprise includes large financial corporations that finance the sale of its industrial products, I also categorized it to be an ‘industrial’ enterprise.

The third category is ‘financial-industrial enterprises’. Their large corporation members include both large ‘financial’ and large ‘industrial’ corporations. In other words, these enterprises exhibit direct ownership links between financial and industrial capital, in the sense that corporations in both sectors are owned by a common enterprise parent corporation. In most cases, these investments are controlling interests in ROB-FP corporations. However, in one instance, it seemed obvious that an enterprise is best described by this category even though the ownership in question is not a controlling interest in an ROB-FP corporation. It also seemed appropriate to adjust the criteria for one enterprise whose Canadian corporations are all ‘financial’, but is strongly based in ‘industrial’ corporations outside Canada.

In adopting these analytical categories, I am not arguing that the third category (financial-industrial enterprises) is the only possible form of finance capital. For example, industrial corporations that issue their own bonds or new stock issues in order to raise funds are engaging in financial activities, and to this extent may be considered a form of finance capital. Similarly, financial enterprises may be effectively linked with industry through long terms credit relationships and shared directorships. However, I am proceeding on the assumption that if the traditional theory of finance capital is relevant, there should also be a significant number of large
corporations representing each of the two general sectors of capital that are linked with each other through ownership. In other words, I am focusing on the architecture of finance capital that is provided by inter-corporate ownership, and, in particular, by large ‘financial’ and ‘industrial’ corporations being controlled by a common parent corporation or head of enterprise.

It should also be noted that the existence of ownership links between financial and industrial corporations does not necessarily prove the existence of finance capital. While some ownership links are a necessary condition, they are not sufficient, e.g., evidence of corresponding credit relations and directorship links would help complete the case for finance capital.

In describing the enterprises that fall into each of these categories below, I first note the basis for their inclusion in the category, i.e. whether they directly control large (ROB-FP) financial corporations, large industrial corporations, or both. Having detailed this criteria, I discuss non-controlling ownership of ROB-FP corporations, and controlling and non-controlling shares in small (non ROB-FP) corporations for additional evidence about the activities carried out by that enterprise. Finally, I review any significant ownership links between foreign and Canadian capital associated with the enterprise. Unless otherwise indicated, the source of all information reported here is the database derived from the ICO, ROB and FP, or calculations based on this data. Table 7.9 summarizes the grouping of the ‘Top 25’ enterprises.

### Table 7.9: Provisional categorization of ‘Top 25’ enterprises, 1998

<table>
<thead>
<tr>
<th>‘Financial Enterprises’ (all large member corporations in ‘financial’ sector)</th>
<th>‘Financial-Industrial Enterprises’ (large member corporations in both financial and industrial sectors)</th>
<th>‘Industrial Enterprises’ (all large member corporations in ‘industrial’ sector)</th>
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<tbody>
<tr>
<td>Ranking ( ) is by revenues of largest member corporation</td>
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<tr>
<td>Corporations in italics are foreign-controlled</td>
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<tr>
<td>CIBC (5)</td>
<td>Le Groupe Desmarais (11)</td>
<td>BCE Inc. (1)</td>
</tr>
<tr>
<td>Royal Bank (6)</td>
<td>Canadian Pacific (17)</td>
<td>General Motors (2)</td>
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<tr>
<td>Bank of Nova Scotia (10)</td>
<td>G.W. Schwartz Group (20)</td>
<td>Daimler-Chrysler (4)</td>
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<tr>
<td>Sun Life Assurance (13)</td>
<td>Govt. of Ontario (21)</td>
<td>TransCanada Pipelines (7)</td>
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<tr>
<td>Toronto Dominion Bank (14)</td>
<td>Govt. of Quebec (22)</td>
<td>Weston Group (12)</td>
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<tr>
<td>Manufact. Life Assurance (16)</td>
<td>B.A.T. Industries PLC (24)</td>
<td>C.R. Bronfman Group (9)</td>
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Source: based on ownership data in Statistics Canada (1999a) and financial data in Globe and Mail (1999), and Financial Post (1999). The corporations and individuals that correspond to the above enterprises are listed in the tables in the Appendix.

**‘Financial’ enterprises**

Seven of the ‘Top 25’ enterprises are primarily ‘financial’ enterprises. Five are the large chartered banks in Canada, and two are insurance-based enterprises. As described above, they are designated ‘financial’ enterprises because they do not control any ‘industrial’ corporations large enough to be included in the ROB-FP list of the 1529 largest corporations in Canada.
I will first describe the bank enterprises. They are their own head-of-enterprise because there is no identifiable higher body that controls these corporations. Canadian law restricts shareholdings in these banks to 25% of the total (10% if foreign), and it is generally accepted that bank ownership is widely dispersed. Banks have traditionally occupied a central place in the network of corporate directorships, and they exercise considerable influence over other corporations through credit relations. An indication of their importance in the Canadian economy is that the ROB-FP data indicates that the five chartered banks account for about one quarter of the assets of the largest 1529 corporations in Canada.

*The Canadian Imperial Bank of Commerce (CIBC)*
The largest 'financial' enterprise measured by revenues is the Canadian Imperial Bank of Commerce (CIBC). Figure 7.9 depicts the ROB-FP corporations associated with this enterprise. Eight of the largest 1529 corporations in Canada are linked to the CIBC, including the latter’s controlling ownership of one of the largest trust/mortgage companies (CIBC Mortgage Inc.) and the second largest investment dealer (CIBC Wood Gundy Securities Ltd.). The CIBC controls about 40 other financial corporations for which financial information is not available from the ROB-FP, and it holds non-controlling shares in an additional 25 financial corporations.

It is clear that most of the activities of the corporations associated through ownership with the CIBC are primarily financial. However, the extent of non-controlling ownership by the bank of large industrial corporations and controlling interest in small industrial corporations should also be noted. These interests may still be quite significant, such as when the corporations in question are only slightly below the size threshold for inclusion in the ROB-FP sample.

In total, about one-seventh of the corporations that the ICO associates with the CIBC are in 'industrial' sectors. In terms of large (ROB-FP) industrial corporations, the CIBC owns 25.2% of Abitibi-Consolidated Inc. (forestry, and the second largest forest corporation in Canada), and 25.9% in A&W Food Services of Canada Ltd. (food services). In both cases, it is the single largest owner of these corporations, but it does not control them. Compared to the CIBC’s own revenues of $19.8 billion, the scale of its investment in A&W Food Services of Canada is relatively modest (25.9% of $341 million in revenues). Although the CIBC’s stake in Abitibi-Consolidated is more substantial (27.5% of $3.36 billion in revenues), this amount is still small compared to the bank’s own revenues.

There are also a number of other 'industrial' corporations controlled by the CIBC, but they are not large enough to be included in the ROB-FP sample, e.g., Sigma Mines (Quebec) Ltd. (gold mining) and two land developers, Dilworth Holdings Ltd. and Penvest NC Realty. Finally, the CIBC holds non-controlling shares in four other small 'industrial' corporations.
Figure 7.9: The CIBC enterprise (large corporation members)

- **Canadian Imperial Bank of Commerce** (ONT) CAN $19,804,000
- **CIBC Mortgage Corp. Inc.** (ONT) CAN $1,262,266
- **CIBC Trust Corp.** (ONT) CAN $120,526
- **CIBC Wood Grundy Corp.** (ONT) CAN
  - **CIBC Wood Grundy Securities Inc.** (ONT) CAN $2,207,312
- **Newcourt Credit Group Inc.** (ONT) CAN $1,498,591
- **CIBC Insurance Management Comp. Ltd.** (ONT) CAN
  - **CIBC Life Insurance Company Ltd.** (ONT) CAN $162,611
- **CIBC Wood Grundy Capitol (SFC) Inc.** (ONT) CAN
  - **A&W Food Services of Canada Inc.** (BC) CAN $341,000
    - **Abitibi-Consolidated Inc.** (QUE) CAN $3,360,000
      - 25.91% **CIBC Oppenheimer Corp.** (USA)
      - 27.5% **Dynacare Inc.** (ONT) CAN $333,004
My primary interest here is ownership links within enterprises. However, as noted above, indirect ownership links between enterprises should also be examined as a possible form of the coalescence of financial and industrial capital. Co-ownership might provide an indirect link between a ‘financial’ enterprise and ‘industrial’ corporations not part of the ‘financial’ enterprise. For example, A&W Food Services of Canada is owned 23.5% by the Ontario Teachers Pension Plan Board (which holds extensive investments in many large financial and industrial corporations), and another 17.5% by the Mannix Family Group (which owns several other ‘industrial’ corporations). Since they are relevant to the issue of finance capital I note some of these indirect ownership links, but identifying and systematically describing all such links is beyond the scope of this effort.

The role of the Canadian Depository for Securities (CDS & Co.)
In the case of the CIBC, it is important to discuss investors (significant but non-controlling shareholders) in this enterprise. I noted above that legislation in Canada limits ownership shares in banks, and it is generally accepted that bank shares are widely held. However, the ICO reports that the Canadian Depository for Securities (CDS & Co.) owns 47.0% of the CIBC. The CDS & Co. is also listed as a non-controlling shareholder in 73 ROB-FP corporations, of which about 45 are ‘industrial’ corporations. Its average shareholding in these corporations is 28%. In addition to this share of the CIBC, the CDS & Co. also owns 44.8% of fellow ‘Top 25’ enterprise, TransCanada Pipelines Ltd.

At first glance, this might be considered an example of a substantial ownership linkage between financial and industrial capital. However, on closer inspection it appears that the CDS Co. does not really ‘own’ these shares in the sense that is true of other corporations. According to its annual report (Canadian Depository for Securities, 1999), the function of this corporation is to facilitate the trading of corporate securities, including storing the original share certificates and issuing a copy for the purposes of trading. It appears to be in this limited sense that the CDS & Co. is listed by the ICO as an ‘owner’ of equity in other corporations. It probably does not have the kind of control exerted by conventional shareholders.

On the other hand, the CDS & Co.’s shareholdings suggest a significant role for stock markets in the financing of large industrial corporations. To begin, it is itself owned by leading stock exchanges and financial enterprises (15.2% by the Investment Dealers Association, 12.7% by the Toronto Stock Exchange, and 5.2% by the Montreal Exchange, 33.3% by Lake & Co., and 33.3% by the Montreal Trust Company (this trust company is in turn 100% owned by the Bank of Nova Scotia). As noted above, the CDS% CO. ‘owns’ a significant share in many large industrial corporations (e.g., 37.0% of Canfor Corp., 48.0% of the Canadian National Railways Systems, 12.7% of PanCanadian Petroleum, 44.8% of TransCanada Pipelines, 20.9% of Newbridge Networks, 39.0% of Cambior Inc., and 49.0% of Western Star Truck Holdings). Among financial corporations, its holdings include 30.5% of Power Financial Corporation and 21.1% Great-West Lifco Inc. (both controlled by Le Groupe Desmarais) and, as already noted, 44.8% of the CIBC.

The exact significance of the CDS & Co. for the issue of finance capital is unclear. It does not seem that the links this enterprise provides between the financial and industrial corporations are
examples of the ‘coalescence’ of different sectors of capital. Further investigation is required to clarify its significance in relation to finance capital in Canada.260

Returning to the CIBC, most corporations and all large ROB-FP corporations controlled by this enterprise are in financial sectors, and so the CIBC is a ‘financial’ enterprise. The ownership links within this enterprise do not directly express a highly developed coalescence of financial and industrial capital. Nor do the indirect ownership links with corporations and enterprises outside the CIBC enterprise suggest this kind of alliance between different sectors of capital.

The final point to register about the CIBC enterprise concerns ownership links between Canadian and foreign capital. The ICO does not report any significant foreign shareholders in the CIBC itself. The bank only holds significant shares in 5 foreign-controlled corporations in Canada, none of which are large enough to be included in the ROB-FP sample.261 Two of these are ‘industrial’ corporations -- Hong Kong-controlled Husky Oil Holdings Ltd., and Indonesia-controlled Gemala Industries Ltd.262 In other words, the CIBC has relatively few significant ownership linkages to foreign corporations within Canada.

The Royal Bank of Canada

Figure 7.10 depicts the large corporations associated with the Royal Bank enterprise. Of the 138 corporations that the ICO associates with the Royal Bank, 13 are ROB-FP corporations. The Royal Bank controls six of these, and they are all ‘financial’ corporations. They include the Royal Trust Corporation, the second large trust company in Canada, and RBC Dominion Securities, the largest investment dealer.263 The bank also owns a non-controlling share in two large insurance companies, Westbury Canadian Life Assurance Co. and Voyageur Insurance Co.

Six of the 13 large ROB-FP corporations associated with the Royal Bank by the ICO are ‘industrial’ corporations, but none are controlled by the bank. They include a 30.5% share of Anchor Lamina Inc. (tools), 29.1% in Berkley Petroleum (petroleum and gas), 6.1% of United Dominion Industries (fabricated metal), 11.2% of Manitoba Telecom Services (telecommunications), 9.9% of Versus Technologies Inc. (scientific and technical services), and 15.9% of Nova Scotia Power Inc. (electricity distribution). The other leading shareholders in these corporations are all ‘financial’ enterprises, except that Manitoba Telecom Services Inc. is 20.0% owned by Bell Canada who in turn is controlled by BCE Inc., an ‘industrial’ (telecommunications) enterprise. The Royal Bank also shares part ownership of Madison Pacific Properties Inc.264 with another ‘Top 25’ ‘financial-industrial’ enterprise, BAT Industries PLC.

Thus, as in the case of the CIBC, while the bank owns minority shares in some industrial corporations, and there are a few other indirect links to industrial corporations, it does not control any large ‘industrial’ corporations, or have substantial ownership links to other ‘industrial’ enterprises.

The Royal Bank is also similar to the CIBC in having only modest ownership links to foreign corporations in Canada. The most important instances are that US-controlled Prudential Insurance Co. of America owns a 6.0% share of United Dominion Industries Ltd., and UK-controlled BAT Industries PLC holds a minority share of Madison Pacific Properties.
Figure 7.10: The Royal Bank enterprise (large corporation members)

KEY

- shape indicates an 'industrial' corporation
- shape indicates a 'financial' corporation
- shape indicates no SIC-E code available
- [corporation name]
- [1998 revenues ($000)]
- [percent owned]
- [country of control]
- [location of HQ]
- [SIC-E code]
- arrow indicates direction of ownership
- (dotted outline indicates this corporation is not controlled by this enterprise)
Other 'financial' enterprises

The other three major bank enterprises (Bank of Montreal, Bank of Nova Scotia, Toronto-Dominion Bank) have fewer large corporation members. There are, respectively, 3, 6 and 3 large ROB-FP corporations associated with these banks. The pattern of owning the leading trust companies and investment firms is similar to that above -- the Bank of Montreal owns the second largest investment dealer in Canada (Nesbitt Burns Group), the Bank of Nova Scotia owns the fourth largest investment dealer (Scotia McLeod Ltd.), and the TD Bank owns the TD Mortgage Company.

In terms of the large 'industrial' corporations associated with these enterprises, the Bank of Montreal holds an 11.9% share of Nova Scotia Power (electricity distribution), which, as noted above, is also partly owned by the Royal Bank.

The Toronto Dominion Bank enterprise includes non-controlling ownership in 4 large ROB-FP corporations, including 10.6% of 'industrial' company, Viceroy Homes (pre-fab buildings), and 10.7% of Repap Enterprises (wood and paper products). The TD Bank’s holdings in smaller 'industrial' corporations are also non-controlling shares, e.g. its 10.0% of Switchview Inc. (electronic equipment), which is jointly owned (10.0%) by fellow ‘Top 25’ industrial enterprise BCE Inc. (telecommunications).

The Bank of Nova Scotia’s main ‘industrial’ investment are a 10.9% share of Brigdon Resources that in turn owns 18.7% of the ROB-FP corporation Husky Oil Operations Ltd. (petroleum); a 33.3% share of non-ROB-FP Quintette Coal Ltd. (mining) through the Montreal Trust Company; a 27.9% share of non ROB-FP Unitel Communications Holdings Inc. (telecommunications carrier); and 100% of Unitel Communications Finance Inc. (telecommunications carrier). The bank also owns The Montreal Trust Co. of Canada (trust company) which, as reported above, owns one-third of the Canadian Depository for Securities Ltd. (CDS & Co. (stock broker). It is linked to several foreign corporations through joint ownership of industrial corporations. French and Japanese companies own 8% and 2% shares of Quintette Coal, Hong Kong-based Li Ka Sing Group owns 18.7% Brigdon Resources through Husky Oil Operations Ltd., and US-controlled AT & T Communications Services International owns 33% share of Unitel Communications Holdings Ltd.

This description confirms that finance capital in Canada does not take the traditional form of direct ‘bank ownership of industry’. The bank’s equity in industrial corporations is very small compared to their own financial activities. At the same time, there are some large industrial corporations directly associated through ownership with the banks, and it would be useful to determine if these are only transitory or long-term relationships.

The data also provides partial evidence on two other points relevant to finance capital. The first is the indirect role of banks in financing non-financial corporations. In Chapter 6, I noted that some observers argue that corporations in North America have increasingly by-passed the banks as the traditional source of commercial credit, and instead ‘self-finance’ their operations through retained earnings, and by issuing stocks, bonds and similar instruments. If so, it is worth noting that the largest 5 investment dealers, who specialize in organizing the latter types of financing, are owned by the five chartered banks (RBC Dominion Securities --Royal Bank, Nesbitt Burns...
Group -- Bank of Montreal, CIBC Wood Gundy Securities Inc. -- CIBC; TD Securities -- TD Bank, Scotia McLeod Inc. -- Bank of Nova Scotia). They, in turn, own a majority of the shares in the Canadian Depository for Securities, which, as was noted above, is a significant minority shareholder in many large industrial corporations. This suggests that the banks continue in one way or another to be centrally involved in corporate finance.

The second point concerns trust companies. I noted that Richardson (1988) suggests that in Canada trust companies provide some of the ownership link between financial and industrial capital that in other countries are provided by the banks. Richardson also notes that each of the major trust companies is traditionally associated with one of the banks. For many years, the banks were legally restricted from directly owning trust companies, but it was evident from director and officer links between the banks and trusts that one or other bank in effect controlled the latter.

In recent decades, deregulation has removed some restrictions on ownership of trusts, and each of the major ‘independent’ trust companies was bought by a major bank or conglomerate. The two largest trust/savings/loans institutions (by assets) are part of the B.A.T. Industries Inc. PLC enterprise (the foreign-controlled ‘financial’ enterprise in the ‘Top 25’ sample). The next five are each controlled by one of the three major banks (TD Mortgage Corporation -- TD Bank; Royal Trust Corp. of Canada and Royal Bank Mortgage Corp. -- Royal Bank; CIBC Mortgage Corp. -- CIBC) and Montreal Trust Co. of Canada -- Bank of Nova Scotia.

The ICO data is not consistent with Richardson’s suggestion that these trust companies own significant shares in industrial corporations. None of the bank-owned trust companies directly owns significant equity in the large ‘industrial’ corporations listed by the ROB-FP, and nor do the two leading trust companies owned by B.A.T. Industries Ltd. PLC. In other words, the evidence suggests that trust companies in Canada do not provide the ownership links between industrial and financial capital that are provided by banks in the traditional ‘German’ form of finance capital.

Insurance-based ‘financial’ enterprises

The two life-insurance-based ‘financial’ enterprises are Sun Life Assurance of Canada and the Manufactures Life Assurance Company of Canada (see Figure 7.11). Sun Life controls three large (ROB-FP) corporations in financial sectors but does not control any large ‘industrial’ corporations. It does control two small oil and gas exploration companies (Amaulico Ltd. and 282075 Canada Ltd.), and holds minority shares in another oil and gas corporations and a computer equipment corporation. Sun Life’s main equity holdings in non-financial corporations are in real estate, e.g., a minority share of Century 21 Real Estate Canada Ltd. and Tybrant Realty Ltd.

Sun Life is indirectly linked to the Molson Companies Ltd. ‘industrial’ enterprise through their joint ownership of 279906 Ontario Ltd. (real estate), and to the Le Group Desmarais ‘financial-industrial’ enterprise through their ownership positions in SNS/Assure Corp. (computer equipment). However, in the absence of financial information for these companies it is not known how significant these interests are. Finally, it may be noted that Sun Life Assurance Company is indirectly and modestly linked to two US-based enterprises, the Anshultz Corp. Inc.
and Exxon Corporation, through their joint ownership of one of the oil and gas corporations noted above, AT&S Explorations Ltd.

The other ‘Top 25’ insurance enterprise, Manufacturers Life Assurance Co. of Canada, controls one ‘financial’ corporation large enough to be included in the ROB-FP list, and owns a non-controlling share in one ROB-FP industrial corporation (Beau Canada Explorations Ltd./oil and gas). Manufacturers Life also owns part of a non-ROB-FP corporation in the oil and gas industry (Pursuit Resources). This indirectly links it to another part owner, ‘Top 25’ member Alcan Aluminum Ltd. It is also indirectly linked to the oil and gas corporations Talisman Energy Inc. and US-controlled Enron Corporation through their joint ownership of Beau Canada Explorations Ltd. Like the Sun Life enterprise, Manufacturers Life also owns all or part of a number of real estate corporations.

In summary, the seven ‘Top 25’ enterprises discussed above are overwhelmingly involved in financial activities, and hold relatively little equity in industrial corporations. They may be linked to industrial capital in other ways, like extending credit and organizing new financing for industrial corporations. However, it is evident that they do not exhibit substantial direct or indirect ownership links between financial and industrial sectors of capital in Canada. All but one of these enterprises is Canadian controlled, and they exhibit few ownership links with foreign-controlled corporations within Canada.
Figure 7.11: The Manufacturers Life Assurance Company enterprise (large corporation members)

[Diagram showing ownership structure with nodes for The Manufacturers Life Assurance Company, Beau Canada Exploration Ltd., Manulife Financial Holdings Ltd., FNA Financial Inc., NAL Trustco Inc., and associated ownership data including percentages, revenues, and SIC-E codes.]

KEY

- shape indicates an 'industrial' corporation
  [corporation name]
  [1998 revenues ($000)]

- shape indicates a 'financial' corporation
  [percent owned] [location of HQ] [country of control] [SIC-E code]

- shape indicates no SIC-E code available (dotted outline indicates this corporation is not controlled by this enterprise)

arrow indicates direction of ownership
'Industrial' enterprises

On the opposite side of the sectoral continuum are what I call the 'industrial' enterprises. There are 11 enterprises in the 'Top 25' group who are predominantly based in industrial sectors, although the enterprise parent corporation itself is sometimes designated a financial corporation, e.g., an investment or holding company. Like the 'financial' enterprises discussed above, these 'industrial' enterprises do not express significant direct ownership links between financial and industrial corporations.

The Auto enterprises

Three members of this category are the major automobile manufacturers (General Motors Corp., Ford Motor Corp., and Daimler-Chrysler A.G.). Each of the automobile enterprises includes a large ROB-FP 'financial' corporation (General Motors Acceptance Corporation of Canada (sales finance); Ford Credit Canada Ltd. (sales finance); Chrysler Credit Canada Ltd. (sales finance). However, because the role of these 'financial' corporations is to promote sales of the automobile products rather than being a general source of consumer or commercial credit, and they are not generally considered independent business units, this enterprise is best categorized as 'industrial'. The auto enterprises also each own other corporations closely related to auto manufacturing, such as auto sales dealerships and car rental companies.

In addition to their own manufacturing operations, the three auto enterprises have minority investments in a number of other 'industrial' corporations, mostly in the auto or related industries. General Motors (see Figure 7.12) owns 35.0% of Volvo Trucks Canada Inc., 5.3% of Suzuki Motors Corp., 49.0% of Isuzu Motors Ltd., 50.0% of Saab Automobile AB and 20.0% of Detroit Diesel. The Ford Motor Company owns part of three ROB-FP industrial corporations -- 15% of Ballard Power Systems (of which 20.0% is also owned by Daimler Benz AG), 25.0% of Mazda Motor Corporation, and 20.0% of New Holland Canada (with the remainder owned by Italian-controlled Fiat STA).

In addition, Ford owns parts of smaller industrial corporations like 49% of Conix Canada Inc., which provides a minor link to auto parts manufacturer Magna International Inc. of the Canadian-controlled Stronach Trust enterprise. As noted above, Daimler Chrysler AG (see Figure 7.12) owns 20.0% of Ballard Power Systems on the ROB-FP list, and several non ROB-FP 'industrial' corporations, like its controlling share of Messerschmitt-Blowkow-Blohm GMBH, and 5.1% of the French-controlled Matra-Hachette SA.

The other enterprises that belong in the industrial category are BCE Inc. (telecommunications), TransCanada Pipelines Ltd. (oil & gas), the Weston Group (food products), C.R. Bronfman Group (distilling), Alcan Aluminum Ltd. (aluminum), Stronach Trust (motor vehicle parts),

International Business Machines Corp. (computer hardware & software) and Le Groupe de la Famille Bombardier (aircraft). While each of these enterprises includes investment and holding corporations (e.g. the Weston, Stronach and Bombardier family trusts), it seems apparent they are strongly oriented to 'industry' in general and to certain industries in particular.

BCE Ltd.

BCE Inc. (see Figure 7.13) is the largest corporation in Canada by revenues, and has 21 ROB-FP corporations associated with it, of which it controls 18. They are all 'industrial' corporations or
investment or holding companies associated with particular industrial corporations. BCE Inc. is 11.42% owned by US-controlled The Depository Trust Company, which also owns the same percentage of each of the main BCE subsidiaries. This link reflects a substantial foreign ownership position, but it may be noted that it appears that The Depository Trust Company performs a similar role as The Canadian Depository for Securities Ltd (CDS&Co.), i.e., the 11.42% foreign ownership may consolidate the holdings of many smaller ‘real’ owners. BCE Inc. has few other ownership connections with foreign corporations, and none involving ROB-FP corporations.

TransCanada Pipelines Ltd.
TransCanada Pipelines Ltd. is the next largest industrial enterprise after BCE Inc and the ‘Big Three’ auto enterprises. TransCanada Pipelines itself is a large corporation, but none of its subsidiaries are included in the ROB-FP sample. The Canadian Depository for Securities (CDS & Co.) is listed as ‘owning’ 44.8% of this enterprise and the same share of many of its subsidiaries. Another 11.7% of this enterprise and the same proportion of many subsidiaries are owned by the US-controlled CEDE and Co. The pattern of ownership of other corporations by the CEDE and Co. also appears to be similar to that of Canadian Depository for Securities (CDS & Co.).
Figure 7.12: The General Motors and DaimlerChrysler AG enterprises (large corporation members)

General Motors Corp. (USA) 100%
- General Motors of Canada (ONT) $31,800,000 3231
- General Motors Acceptance Corp. (USA) 100%
  - General Motors Acceptance Corp. of Canada Ltd. (ONT) $1,936,992 7121

Daimler Chrysler AG (DEU) 100%
- Chrysler Corporation (USA) 7215
  - Chrysler Canada Ltd. (ONT) $20,712,000 3231
  - Daimler-Benz A.G. (Germany) 100%
    - Ballard Power Systems Inc (BC) 7259
    - Daimler-Benz North America Corporation (USA)
      - Mercedes-Benz Canada (ONT) $497,000 5531
    - Chrysler Financial Company LC (USA)
      - Chrysler Credit Holdings BV (NLD)
        - Chrysler Credit Canada Ltd. (ONT) $447,110 7121

KEY

- shape indicates an industrial corporation
- (corporation name)
- [1998 revenues ($000)]
- shape indicates a financial corporation
- (percent owned)
- (location of HQ)
- (country of control)
- [SIC-E code]
- (dotted outline indicates this corporation is not controlled by this enterprise)
- arrow indicates direction of ownership
Figure 7.13: The BCE enterprise (large corporation members)
The Weston Group
The Weston Group (see Figure 7.14) controls three ROB-FP "industrial" corporations -- George Weston Ltd. (bakery products; revenues $15.1 billion), Loblaws Companies Ltd. (supermarket), and Westfair Foods Ltd. (food wholesaling). Its non-ROB-FP corporations are mostly in the food sector, but they also include clothing retailer Holt Renfrew & Co. Ltd. and some real estate corporations. This enterprise does not control any ROB-FP corporations in financial sectors. In a few instances, it has joint ownership of a corporation with another enterprise, but none of these are foreign-controlled.

The C.R. Bronfman Group
The C.R. Bronfman Group is one side of the Bronfman family fortune (the other side is EdperBrascan Corporation). I designate it an "industrial" enterprise because the only ROB-FP corporation controlled by this enterprise is The Seagram Company Ltd. This "industrial" corporation is based on liquor distilling (revenues of $16.4 billion), although it also owns shares in a wide range of smaller "financial" and "industrial" corporations. These include US-resident corporations who also have a presence in Canada, like 2.4% of E.I. DuPont de Nemours and Company, 80.0% of Universal Studies and 7.5% of Time Warner Inc.275 In Canada, Seagram's owns all or part of a variety of smaller "industrial" corporations (mostly in entertainment, real estate, and restaurants). It also shares ownership of a few corporations with foreign corporations, including Japan-controlled Sony Corporation and US-controlled Disney Enterprises. However, these instances are a small proportion of its total holdings in Canada.

Another factor that should be noted here is the character of the other side of the Bronfman family fortune, the EdperBrascan Corporation. While the two enterprises are now quite distinct they have a common origin, and it is clear that EdperBrascan Corporation is a "financial-industrial" enterprise. EdperBrascan Corporation did not qualify for the "Top 25" enterprise group on the basis of the revenues of its largest corporation member, but it would have qualified if the selection could have been based on the combined revenues of all member corporations.276 This enterprise did qualify for inclusion in the "Top 74" enterprises, and it will be discussed further below.

Alcan Aluminum Ltd.
Alcan Aluminum Limited qualifies as an "industrial" enterprise because it is primarily engaged in aluminum smelting and fabricating, and is not directly linked through ownership with a large "financial" corporation. Alcan owns 21% of one ROB-FP corporation, Pursuit Resources (petroleum and gas), which is also partly owned by two large insurance-based enterprises, Canada Life Assurance Company and Manufacturers Life Assurance Company. However, this is
an indirect link, and Pursuit Resources’ $22 million in revenues is small compared to Alcan’s own $11.9 billion in revenues. Alcan is almost half owned by two US-based enterprises -- 38.16% by CEDE and Co. and 11% by Sanford and Bernstein & Co.

*The Stronach Trust*

The Stronach Trust includes 3 ROB-FP corporation members. The ICO designates two of these as ‘financial’ corporations, but they are closely associated with the ‘industrial’ corporations that make up the Magna auto parts manufacturing group around which this enterprise was built. The Stronach Trust is thus grouped with the ‘industrial’ enterprises. It is not directly liked through ownership to any other large financial corporation.

*International Business Machines (IBM)*

International Business Machines is a US--controlled computer hardware and software enterprise with no direct ownership links to other ROB-FP corporations in Canada or other general financial corporations.
Figure 7.14: The Weston Group enterprise (large corporation members)
Le Groupe de la Famille Bombardier
While most the individual corporations associated by the ICO with the Le Groupe de la Famille Bombardier enterprise are investment and holding companies, this is because they represent the shares owned by the various members of the family in this ‘industrial’ enterprise centered around Bombardier Inc. (aircraft). There are no other ROB-FP corporations associated with this enterprise, or significant direct links to foreign-owned corporations.

In summary, the ‘industrial’ enterprises are all strongly oriented to a particular line of industrial activity, and are not directly connected through ownership with financial corporations. Foreign ownership is notably more significant in this category than among ‘financial’ enterprises. Four of the nine enterprises are foreign controlled, all from the US, and a fifth enterprise (Alcan Aluminum), is almost one-half US-owned. Finally, BCE inc. is 11.4% owned in the US, and TransCanada Pipelines Ltd. is 11.73% owned in the US. However, among the other Canadian-controlled ‘industrial’ enterprises there are not instances of joint ownership with foreign corporations that involve large corporations, and relatively few that involve small corporations.

‘Financial-Industrial’ enterprises
The third category of enterprises controls large corporations in both ‘financial’ and ‘industrial’ sectors. This group represents the kind of enterprises that on the basis of inter-corporate ownership are the best candidates for the label finance capital. There are 7 such enterprises in the ‘Top 25’ group. In these cases, the enterprise head is generally classified as an investment or holding company, and the enterprise includes other large (ROB-FP) ‘financial’ corporations as well as large ‘industrial’ corporations. In this category, I include Le Group Desmarais, Canadian Pacific, the K.R. Thomson Group, the G.W. Schwartz Group and B.A.T. Industries PLC. This is also the most appropriate of the three categories of enterprises in which to place the commercial corporations controlled by the governments of Ontario and Québec.

Le Groupe Desmarais
Le Groupe Desmarais (see Figure 7.15) controls eight ROB-FP corporations, and holds minority shares in 10 others. On the financial side, it controls several large ROB-FP companies, notably Power Corporation of Canada (revenues of $15.3 billion) and a number of subsidiaries, including Power Financial Corporation, Great-West Lifeco Inc., London Insurance Group Inc. and Investors Group Inc.

This enterprise does not actually control any ‘industrial’ corporation on the ROB-FP list. However, I include it in the ‘financial-industrial’ category because it is a minority owner of a number of ROB-FP ‘industrial’ corporations. They include 11.4% of Mark’s Work Wearhouse Ltd. (retail); 12.1% of DY 4 Systems Inc. (computer hardware); 18.8% of The Second Cup (food services); 10.1% of International Forest Products Ltd. (wood manufacturing); 10.7% of Penn West Petroleum Ltd. (oil and gas); 12.9% of AMR Technologies Inc. (oil and gas services); 6.0% of Philip Services Corp. (aluminum manufacturing); and 13.5% of Winpak Ltd. (plastic manufacturing). In five of these eight corporations, it is the largest single shareholder. The combined revenues of these 8 corporations total about $4.7 billion. In addition, Le Group Desmarais controls a number of non-ROB-FP ‘industrial’ corporations, including the Québec newspapers La Presse Ltee. and Les Journeaux Trans-Canada (1996) Inc., and a number of real
estate companies. In other words, it is clear this enterprise has very substantial industrial holdings. 278

Le Groupe Desmarais is connected through minority ownership with 6 foreign-controlled corporations within Canada, of which three are large ROB-FP companies (Finland-controlled Winpak Ltd., foreign (unspecified)-controlled AMR Technologies Inc., and US-controlled Philip Services Corp.). In addition to these relatively modest links with foreign capital within Canada, this enterprise is known to have extensive investments in Europe. 279
Figure 7.15: Le Groupe Desmarais (large corporation members)

Le Groupe Desmarais
QUE

95.5%
Pierre Desmarais et Sociétés Associées
QUE

54.2%
Power Corporation of Canada
CAN

2795957 Canada Inc.
CAN

100%
171263 Canada Inc.
QUE

97.7%
Power Financial Corporation
QUE

97.2%
Great-West Lifeco Inc.
MAN

96.5%
The Great-West Life Assurance Company
MAN

100%
London Insurance Group
ONT

96.2%
London Life Insurance Company
ONT

Winnipeg Ltd.
MAN

97.5%
Investors Group Inc.
MAN

11.3%
Mark's Work Wearhouse
ALT

12.1%
Dy 4 Systems
ONT

100%
Investors Group Trustco Inc.
MAN

96.6%
Investors Group Trustco Ltd.
MAN

98.4%
The Second Cup Ltd.
ONT

100%
L.G. Investment Management Ltd.
MAN

10.7%
International Forest Products Ltd.
BC

10.7%
Penn West Petroleum Ltd.
ALT

12.4%
Unifirst Corporation
ONT

13.1%
AMR Technologies Inc.
ONT

13.1%
Acetex Corp.
BC

100%
Power Financial Capital Corp.
QUE

KEY

shape indicates an "industrial" corporation
[corporation name]
[1998 revenues (000)]

shape indicates a "financial" corporation
[percent owned]
[location of HQ]
[country of control] [SIC-E code]

(dotted outline indicates this corporation is not controlled by this enterprise)

arrow indicates direction of ownership
Canadian Pacific Limited
Canadian Pacific Limited (CP) controls 5 ROB-FP corporations (see Figure 7.16). The SICE classification of this enterprise (revenues of $10.3 billion), and its subsidiary, Fording Inc. by the ICO places it in the ‘financial’ category, although at least in the latter case an ‘industrial’ designation is probably more realistic, given that this corporation is primarily involved in coal mining. On the ‘industrial’ side, CP controls the Canadian Pacific Railway Company, PanCanadian Petroleum Ltd., Delta Hotels Ltd., and Legacy Hotels Corporation. It has few investments in foreign-controlled corporations other than a couple of companies jointly held with US-controlled Canadian National Railway System.

The K.R. Thomson Group
The K. R. Thomson Group represents the corporate holdings of the richest person ‘in’ Canada, Lord Thomson of Fleet. The only ROB-FP corporation in Canada that belongs to this enterprise is the Thomson Corporation (revenues of $9.4 billion), which the ICO defines as a ‘financial’ corporation. Most of the other 85 smaller corporations are investment or holding companies, with only a dozen in ‘industrial’ sectors, none of which are in primary or secondary industry.

Because it does not control any ROB-FP ‘industrial’ corporations within Canada, an arbitrary application of the main criteria used in the exercise would result in the K.R. Thomson Group being placed in the ‘financial’ enterprise category’. However, it is well known that the core investments of the Thomson empire are ‘industrial’ corporations outside Canada -- principally in publishing, but also oil and gas, and more recently subscription-based databases (Canadian Business, 1999, 65). Given this industrial base, it is more realistic to place this enterprise in the ‘financial-industrial’ category. This enterprise provides a good example of the problems that result from analysis based on only corporations within Canada.

The G.S. Swartz Group
The G.S. Swartz Group (see Figure 7.17) includes nine ROB-FP corporations, led by the Onex Corporation (a holding company; with revenues $9.1 billion). The other ROB-FP corporations controlled by this enterprise are engaged in industrial activities, e.g., sugar processors Rogers Sugar Ltd. and Lantic Sugar Ltd., and electronics manufacturer Celestica Inc. It also holds minority shares of PLC Courier Holdings Ltd., Fletcher’s Fine Foods Ltd., the Forzani Group (sports retailing) and Railink Inc. (residential buildings). This enterprise includes a few instances of joint shareholdings with US-controlled corporations, but they do not involve ROB-FP corporations.
Figure 7.16: The Canadian Pacific enterprise (large corporation members)

**KEY**
- shape indicates an 'industrial' corporation
- [corporation name] [1998 revenues ($000)]
- shape indicates a 'financial' corporation
- [percent owned] [location of HQ] [country of control] (SIC-E code)
- shape indicates no SIC-E code available
- (dotted outline indicates this corporation is not controlled by this enterprise)
- arrow indicates direction of ownership

197
Figure 7.17: The G.S. Schwartz Group enterprise (large corporation members)

KEY

- shape indicates an 'industrial' corporation
  - [corporation name]
  - [1998 revenues ($000)]

- shape indicates a 'financial' corporation
  - [percent owned]
  - [country of control]
  - [SIC-E code]

- dotted outline indicates this corporation is not controlled by this enterprise

- arrow indicates direction of ownership
The Governments of Ontario and Québec
The Governments of Ontario and Québec both qualify for the ‘Top 25’ group based on the revenues of largest corporations they control, Ontario Hydro and Hydro Québec respectively. Ontario controls four ROB-FP corporations, while Québec’s corporate holdings are much more extensive -- 385 corporations, of which 33 are large enough to be included in the ROB-FP list, although many are not controlled.

Ontario and Québec control ROB-FP corporations in both ‘financial’ and ‘industrial’ sectors. In some ways, the role of government-owned corporations should be distinguished from privately owned corporations, but in others, their role is very similar. Early theorists of finance capital like Bukharin (1966 [1915]) considered state-ownership of key industries to be an essential aspect of finance capital, and his related theory of ‘state capitalism’. The Ontario and Québec government enterprises exhibit some of the characteristics traditionally associated with finance capital. For example, the Québec government’s Société General de Financement du Québec (a holding company) owns shares in a wide variety of ‘industrial’ corporations in which it also plays a key role in financing. Both of the provincially-owned Hydro utilities were partly established to provide publicly-subsidized power to large private industrial corporations and promote capitalist industrial development. It is thus most appropriate to include them in the ‘financial-industrial enterprise’ grouping.

BAT Industries PLC
The final enterprise to be considered is the British-controlled BAT Industries PLC (see Figure 7.18). It controls four ROB-FP corporations and holds a minority share in one other. On the ‘industrial’ side its leading corporation is Imasco Ltd. (tobacco processing; revenues $8.6 billion), and the latter’s subsidiary, Shoppers Drug Mart Ltd. On the ‘financial’ side, it controls CT Financial Services Inc., Canada Trusto Mortgage Company and the Canada Trust Company, and it owns 10.8% of Canadian-controlled Madison Pacific Properties. This enterprise has minority investments in another15 Canadian-controlled corporations.
Figure 7.18: BAT enterprises (large corporation members)

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**KEY**

- Shape indicates an 'industrial' corporation
- Corporation name
- [1998 revenues ($000)]

- Shape indicates a 'financial' corporation
  - Percent owned
  - Location of HQ
  - Country of control
  - [SIC-E code]

- Shape indicates no SIC-E code available
  - (Dotted outline indicates this corporation is not controlled by this enterprise)

- Arrow indicates direction of ownership
In general, the ‘financial-industrial’ enterprises are distinguished from ‘financial’ enterprises and ‘industrial’ enterprises by owning significant shares in both large ‘industrial’ and ‘financial’ corporations. Based on the criteria adopted for inclusion, 7 of the ‘Top 25’ enterprises fall into this category. In other words, only a minority of ‘Top 25’ enterprises express direct ownership links between financial and industrial corporations.

Summary
The ‘Top 25’ enterprise sample represents the largest corporations and enterprises in Canada. I argued that if finance capital exists in Canada, a necessary but not sufficient condition is that there exist significant ownership connections between the largest financial and industrial corporations in the country. I hypothesized that, in Canada, an important form such connections take is the controlling ownership of corporations in both major sectors of the economy by a common parent corporation, the head of the enterprise to which they belong.

While there is no available standard for evaluating the extent of such ownership links, the results here offer only qualified support for the applicability of the theory of finance capital. A provisional classification of the enterprises into three groups indicates that only 7 of the 25 enterprises include large corporations in both ‘financial’ and ‘industrial’ sectors. Two of these enterprises are provincial governments, whose status in relation to finance capital is a little different than that of private corporations.

On the other hand, the evidence discussed here indicates there are ‘financial’ and ‘industrial’ enterprises that either own minority shares of large corporations, or control small corporations in the other major sector of the economy. If more information was available about the investment and holding companies that control ‘industrial’ enterprises, it might indicate that in some cases these enterprises would be more appropriately classified as ‘industrial-financial’. This is particularly true of family enterprises like The Stronach Trust, Le Groupe de la Famille Bombardier, and the Weston Group. Finally, if operations outside Canada were included, it is also likely that additional enterprises would be included in this category.

The other major point of interest in this sample is what it indicates about the ownership links between foreign and Canadian capital within the domestic economy. The enterprise-by-enterprise view of these links is generally consistent with the aggregate results discussed above, i.e., there are relatively few significant ownership links between the large foreign- and Canadian-controlled corporations associated with the ‘Top 25’ enterprises.

These conclusions must be qualified by the question of whether the ‘Top 25’ group of enterprises is an adequate sample of the leading corporations in Canada. As noted, there are several instances of leading corporations not being represented (e.g. Noranda Ltd. and Irving Oil Ltd.). As a result, I developed a second, larger sample of leading enterprises, and included more criteria for inclusion. The next section will describe this sample, and my preliminary analysis of the results.
7.4 The ‘Top 74’ enterprises in Canada
The second sample of the largest 74 enterprises in Canada is designed to achieve a more broadly representative sample of corporate capital in this country, mainly to overcome the limitations of the ‘Top 25’ sample noted above. Less detailed analysis is carried out on than on the first sample, because of the work involved.

7.4.1 ‘Top 74’ enterprises sample
Three criteria were used to add enterprises to compose this larger sample. The first was to increase the number of corporations and associated enterprises, and to select them in terms of assets and profits reported by the ROB-FP in addition to the revenues used for the ‘Top 25’ group. The ratio of revenues to assets or profits differs across sectors of the economy, and both revenues and profits are generally more volatile over time than are assets. Selecting corporations that rank highly by at least one of revenues, assets and profits ensures the inclusion of corporations that may not rank highly in one of these areas, but rank highly in another.

The second criteria for inclusion in the sample shifts the focus from the corporation unit to the individuals associated with these corporations. Enterprises are added because the individuals associated with their leading corporations are the wealthiest and most powerful people in Canada, according to rankings published by the leading business publications. Finally, one enterprise was added because of its particular role in the network of corporations in Canada, The Canadian Depository for Securities (CDS & Co.).

To increase the number of corporations represented in the sample of enterprises, revenues, assets and profits ranked the fifty largest ROB-FP corporations, respectively. As above, the ICO database was searched to identify the enterprise that controls each of these corporations. Ranking the largest 50 corporations by revenues yields 38 enterprises (because some corporations share an enterprise parent). The ranking by assets adds another 10 enterprises not already included on the basis of revenues. The ranking by profits contributes an additional 7 enterprises, for a total of 55 enterprises. Table 7.10 below depicts these enterprises (the corporations used to select these enterprises are depicted in Tables A.2 to A.6 in the Appendix).

Another 18 enterprises were then added to the ‘Top 74’ sample on the basis of the individuals who own or run the corporations they control. Richardson (1989) and Carroll (1991) argue that family fortunes are a form of finance capital in Canada. Seventeen enterprises not already included in the sample were added because their corporation members are closely associated with the wealthiest 50 Canadian individuals or families, according to the ranking of net wealth published by Canadian Business (1999). In addition, one enterprise was added to the sample because it is headed up by the person who leads the list of 32 “big-money Canadian CEOs and chairman” who exercise “real power” in Canada, according to the ROB (1999, 120-123). This person (Conrad Black), had not been included on the basis of the previous criteria. The tables in the Appendix list the individuals on the basis of which enterprises were added to the ‘Top 74’ sample.

The final addition to the sample was The Canadian Depository for Securities (CDS & Co.). As was discussed in the section on the ‘Top 25’ enterprises, the CDS & Co. does not actually
control an ROB-FP corporation, and its minority shareholdings in a wide range of corporations have a different significance than equity ownership by other enterprises. However, I included it in the sample in order to try to clarify its role in the network of intercorporate ownership in Canada.

Table 7.10: Criteria for selecting ‘Top 74’ enterprises

<table>
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<tr>
<th>Corporation Rank</th>
<th>Individual rank</th>
<th>Enterprise associated with these corporations/individuals</th>
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<tr>
<td>Revenues</td>
<td>Assets</td>
<td>Profits</td>
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<tr>
<td>1</td>
<td>19</td>
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</tr>
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<td>10</td>
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<td>12</td>
<td>NATIONAL BANK OF CANADA</td>
<td></td>
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<tr>
<td>13</td>
<td>QUEBEC PUBLIC EMPLOYEES PENSION PLAN*</td>
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<td>18</td>
<td>THE GOVERNMENT OF B.C.</td>
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<td>20</td>
<td>THE GOVERNMENT OF SASKATCHEWAN</td>
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<td>21</td>
<td>THE GOVERNMENT OF ALBERTA</td>
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<td>THE GOVERNMENT OF CANADA</td>
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<td>THE IRVING GROUP</td>
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<td>38</td>
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</table>

Source: based on ownership data in Statistics Canada (1999a) and financial data in Globe and Mail (1999), Financial Post (1999) and Canadian Business (1999). The corporations and individuals that correspond to the above enterprises are listed in the tables in the Appendix.
7.4.2 Analysis of the 'Top 74' enterprise sample
The analysis of this sample of enterprises is less detailed than in the case of the 'Top 25' enterprises. My main purpose was to determine whether the size of the first sample was a critical factor in the findings. I will also briefly comment on similar issues that were discussed in relation to the 'Top 25' sample of enterprises.

The enterprise unit of analysis
As in the case of the 'Top 25' sample, the 'Top 74' enterprises demonstrate the significance of the enterprise as a unit of analysis. As reported in Table 7.10, there are over 5200 corporations associated with these 74 enterprises. The 'Top 74' control 3960 of these corporations, including 343 of those reported by the ROB-FP as being among the 1529 largest corporations in Canada.

Despite the space required, I have reproduced the ICO information for the EdperBrascan Corporation in Table 7.11 below as an example of the corporate holdings by a single enterprise. As noted above, this enterprise did not qualify in the 'Top 25' sample on the basis of the revenues of its largest corporation. However, it has the largest number of associated corporations of any private enterprise in Canada, 312, of which it controls 264. There are 17 ROB-FP corporations associated with this enterprise, of which it controls all but one. The revenues of the 17 ROB-FP corporations total an impressive $14.3 billion. This is a good example of why any analysis of corporate organization in Canada has to take into account the kind of centralized control that may exist at a level above the individual corporation. It may also be noted that this enterprise was previously one half of the Bronfman family fortune; the other side was the C.R. Bronfman Group discussed above. There are no longer significant ownership relations between the two.
<table>
<thead>
<tr>
<th>Control</th>
<th>SICE Location</th>
<th>% owned</th>
<th>C Level (tier) and name of corporation</th>
<th>(ROB-FP corporations and revenues (1998) in bold)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAN 7215</td>
<td>ONT</td>
<td>2.00</td>
<td><strong>INV</strong>: CONSOLIDATED CANADIAN EXPRESS LIMITED</td>
<td>($8 mil.)</td>
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<tr>
<td>CAN 7215</td>
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<td>11.00</td>
<td>01 EDPERBRASCAN CORPORATION</td>
<td>($1,409 mil.)</td>
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<td>GEO 7129</td>
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<td>02 MICO ENTERPRISES LIMITED</td>
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<td>02 NATIONAL BANCORP INC</td>
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<tr>
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<td>100.00</td>
<td>02 SOCIETE IMMOBILIÈRE WESTCHESTER LTEE/WESTCHESTER E</td>
<td>03 CARENA HOLDINGS CORP. LTD</td>
</tr>
<tr>
<td>CAN 7215</td>
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<tr>
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<td>QUE</td>
<td>50.10</td>
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<td>05 HECO SECURITIES LIMITED</td>
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<tr>
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<td>05 EDPER RESOURCES LIMITED</td>
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<tr>
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</tr>
<tr>
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<tr>
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<td>08 GENTRA CANADA INVESTMENTS INC/LES INVES</td>
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Table 7.11: The EdperBrascan Corporation enterprise
CAN 7299  ONT  100.00    09  164474 CANADA LIMITED  
CAN 7215  ONT  100.00    09  992297 ONTARIO LIMITED  
CAN 7611  ONT  100.00    09  3167062 CANADA LIMITED  
CAN 7511  ONT  100.00    09  3167071 CANADA LIMITED  
CAN  -----  ONT  100.00    09  3148536 CANADA LIMITED  
CAN  -----  ONT  10.00  D    08  2879476 CANADA LIMITED  
CAN 7215  ONT  100.00    08  757802 ONTARIO LIMITED  
CAN 7215  ALT  100.00    08  GENTRA WESTERN PROPERTIES INC  
CAN 7611  ALT  100.00    09  667823 ALBERTA LTD  
CAN 7214  ALT  100.00    08  GENTRA QUEBEC PROPERTIES INC  
CAN 7499  ALT  10.00  D    08  THE FAIRFIELD CORPORATION  
CAN 7214  ALT  100.00    08  GENTRA ONTARIO COMMERCIAL PROPERTIES INC  
CAN 7215  ALT  100.00    08  GENTRA WESTERN RETAIL INVESTMENTS INC  
CAN 7215  ALT  10.00  D    08  1079886 ONTARIO LIMITED  
CAN 7511  ALT  100.00    08  1153808 ONTARIO LIMITED  
CAN 7511  ALT  100.00    08  FIFTH AVENUE PLACE LTD  
CAN  -----  ALT  100.00    08  395-405 BOULEVARD DE MAISONNEUVE OUEST INC  
CAN  -----  ALT  100.00    08  EXCHANGE TOWER LIMITED  
CAN 7215  ALT  100.00    08  1211460 ONTARIO LIMITED  
CAN 7222  ALT  100.00    08  1241160 ONTARIO LIMITED  
CAN 7222  ALT  100.00    08  1263448 ONTARIO LIMITED  
CAN 7222  ALT  100.00    08  1262004 ONTARIO LIMITED  
CAN 7215  ALT  100.00    08  809002 ALBERTA LTD  
CAN 7222  ALT  100.00    08  812660 ALBERTA LTD  
CAN 7215  ALT  76.80    07  CARMA CORPORATION  
CAN 7214  ALT  30.20  D    08  ALLARCO GROUP LTD  
CAN 4491  ALT  100.00    08  CARMA DEVELOPERS LTD  
USA  -----  ALT  50.00  D    09  PYRAMID RANCHES LTD  
CAN 7512  SAS  100.00    09  316509 SASKATCHEWAN LTD  
CAN  -----  ONT  50.00  D    09  PARK STREET PLAZA LIMITED  
CAN 7512  ALT  100.00    09  SUR-DEL BUILDERS DEVELOPMENT LTD  
CAN 9999  SAS  79.46    09  WHYTE RIDGE INDUSTRIAL DEVELOPMENTS LTD  
CAN 4491  SAS  80.31    09  WHYTE RIDGE RESIDENTIAL DEVELOPMENTS LTD  
CAN 7299  ALT  100.00    09  358338 ALBERTA LTD  
CAN 7215  ALT  100.00    09  SOUTHRIDGE DEVELOPMENT INC  
CAN 7129  ALT  100.00    09  374366 ALBERTA LTD  
CAN 7129  ALT  48.04  D    09  237432 MANITOBA INC  
CAN 7214  ALT  0.01    08  CARMA-TOMHIG PARTNERSHIP  
CAN 4491  ALT  100.00    07  WARDSTEEL DEVELOPMENTS INC.  
CAN 7215  ALT  90.52    07  BROOKFIELD MANAGEMENT LIMITED  
CAN 7214  ALT  70.00    08  BROOKFIELD MANAGEMENT SERVICES LTD  
CAN 7214  ALT  100.00    09  ROYAL COMMERCIAL REAL ESTATE SERVICES LT  
CAN 7512  ALT  60.00    09  ROYAL LEPAGE FACILITY MANAGEMENT SERVIC  
CAN 7215  QUE  50.00  D    09  SOCIETE IMMOBILIERES COGIR INC  
CAN 7512  BCT  100.00    09  BROOKFIELD MANAGEMENT SERVICES WESTERN  
CAN 7215  ALT  10.00  D    09  BROOKFIELD MANAGEMENT SERVICES SASKA  
CAN 7214  ALT  100.00    09  HENDLER DUBYK & ASSOCIATES INC  
USA 7771  ONS  50.00  D    09  BROOKFIELD LEPAGE JOHNSON CONTROLS  
CAN 7129  ONS  100.00    07  PARTNERCO EQUITIES LTD  
CAN 7512  ONS  100.00    08  BROOKFIELD COMMERCIAL PROPERTIES LTD  
CAN 7511  ONS  50.00  D    09  BIMFORD PROPERTIES INC  
CAN 7512  ALT  40.00  D    09  CT TOWER INVESTMENTS INC  
CAN 7511  ONS  100.00    09  BROOKFIELD BAY STREET ESTATES LIMITED  
CAN 7129  ONS  100.00    09  BCE PLACE LIMITED  
CAN 7512  ONS  10.00  D    10  GALLERIA CONCOURSE OPERATIONS INC  
CAN 4491  ONS  100.00    09  BCE PLACE (WELLINGTON) LIMITED  
CAN 7129  ONS  100.00    09  153582 CANADA INC.  
CAN 7511  ONS  100.00    09  763507 ONTARIO INC  
CAN 7512  ONS  100.00    08  318392 BRITISH COLUMBIA INC  
CAN 7511  ONS  100.00    09  BROOKFIELD HOLDINGS CORPORATION  
CAN 1049  NFL  50.00  D    10  BROOKFIELD ICE CREAM LIMITED (NFLD)  
CAN 7599  QUE  50.00  D    09  TRIBOOK REAL ESTATE SERVICES INC  
CAN 7215  ALT  100.00    09  671522 ALBERTA LTD  
CAN 7214  ONS  100.00    09  1162285 ONTARIO LIMITED  
CAN 7215  ONS  100.00    07  CARENA HOLDINGS CORPORATION  
CAN 7214  ONS  100.00    07  615834 SASKATCHEWAN LTD  
CAN 7512  ONS  100.00    07  1250164 ONTARIO LIMITED  
CAN 7512  ONS  100.00    07  695140 ALBERTA LTD  
CAN 7512  ONS  100.00    07  670706 ALBERTA LTD  
CAN 7611  ONS  100.00    07  1176105 ONTARIO INC  

207
CAN 7215 ONT 32.00
CAN 7215 ONT 49.00
CAN 7215 ONT 100.00
CAN ----- BMU 100.00
CAN 611 ONT 73.75
CAN 711 ALT 100.00
CAN ----- ONT 100.00
CAN ----- BC 10.00 D
CAN 7215 ONT 49.00
CAN 7215 ONT 12.00 R
CAN ----- GBR 100.00
CAN 7215 ONT 51.40
CAN 7215 ONT 19.90
CAN 7771 ONT 100.00
CAN 7129 ONT 100.00
CAN 7215 ONT 100.00
CAN 929 ONT 10.00 D
CAN ----- ONT 100.00
CAN ----- ONT 2.00 R
CAN 7214 ONT 100.00
CAN 7215 ONT 100.00
CAN 7214 ONT 50.00
CAN 7215 ONT 100.00
CAN 7299 ONT 100.00
CAN 4911 QUE 100.00
CAN 7215 QUE 100.00
CAN ----- QUE 100.00
CAN 7214 ONT 100.00
CAN 7771 ONT 50.00 D
CAN 7215 QUE 100.00
CAN 7299 ONT 100.00
CAN 929 QUE 100.00
CAN 7215 ONT 70.00
CAN 7215 ONT 83.00
CAN 612 ONT 40.00
CAN ----- ONT 100.00
CAN 2959 QUE 99.75
CAN 7299 BC 35.30
CAN 613 ONT 47.52
CAN 7752 ONT 100.00
CAN 929 ONT 95.28
CAN 929 ONT 97.38
CAN 2512 ONT 100.00
CAN 613 ONT 100.00
CAN 929 QUE 100.00
CAN 929 ONT 19.52 D
CAN 929 MAN 72.64
CAN 617 ONT 32.55 D
CAN 929 ONT 84.09
CAN 7299 MAN 30.12 D
CAN 929 ONT 78.08
CAN 929 ONT 87.49
CAN 929 ONT 91.95
CAN 929 MAN 92.87
CAN 613 ONT 97.36
CAN 929 ONT 94.82
CAN 7299 ONT 100.00
CAN 929 ONT 84.99
CAN 929 BC 81.76
CAN ----- ONT 25.00
CAN 6599 ONT 100.00
CAN 7599 ONT 100.00
CAN 7499 ONT 100.00
CAN ----- USA 100.00
CAN ----- ONT 25.00 R
CAN 7214 ONT 100.00
CAN 929 BC 94.38
CAN 7129 QUE 100.00
CAN 7214 ONT 90.25
USA 2999 ONT 40.00 D

07 CONSOLIDATED CANADIAN EXPRESS LIMITED ($8 mil.)
08 CONSOLIDATED ENFIELD CORPORATION
08 CANADIAN EXPRESS INVESTMENT CORP
08 AMERICAN RESOURCE CORPORATION LIMITED
09 AMERICAN PACIFIC MINERALS LTD
10 PATRIOT ENERGY COMPANY LTD
10 907788 ONTARIO LIMITED
10 1659 HOLDINGS LIMITED
09 AXE CANADA INC.
10 CONSOLIDATED CANADIAN EXPRESS LIMITED
09 REVELTEK CORPORATION
10 WESTFIELD MINERALS LIMITED ($2 mil.)
11 NORTHGATE EXPLORATION LIMITED ($4 mil.)
08 EDPERBRASCAN CORPORATION ($1,409 mil.)
09 AXE CANADA INC.
10 CONSOLIDATED CANADIAN EXPRESS LIMITED
09 REVELTEK CORPORATION
10 WESTFIELD MINERALS LIMITED
09 AMERICAN PACIFIC MINERALS LTD
10 PATRIOT ENERGY COMPANY LTD
10 907788 ONTARIO LIMITED
10 1659 HOLDINGS LIMITED
09 AXE CANADA INC.
CAN 929 BC 43.64 D 05 LIARD RIVER MINING CO LTD
CAN 929 QUE 20.00 D 05 NEMISCAU MINES LIMITED
CAN 7499 QUE 100.00 D 05 NORANCON EXPLORATION LIMITED
CAN 7299 QUE 100.00 05 NORANDA MINING & EXPLORATION INC
CAN 7299 ONT 73.33 05 SYNGENORE EXPLORATIONS LIMITED
CAN 2711 QUE 100.00 05 MACLAREN FOREST PRODUCTS INC./PRODUITS FORES
CAN 611 ONT 75.00 05 KERR ADDISON MINES LTD
CAN 7299 ONT 8.15 R 06 SYNGENORE EXPLORATIONS LIMITED
CAN 3052 QUE 100.00 05 WIRE ROPE INDUSTRIES LTD
CAN 3599 BC 50.00 D 06 TRICO INDUSTRIES LTD
CAN 4531 NB 100.00 05 NIPISIQUIT AND SEABOARD RAILWAY CO.
CAN 612 NB 100.00 05 NEW BRUNSWICK ZINC LTD
CAN ----- ONT 25.00 R 05 HDRK MINING RESEARCH LTD
CAN 5613 ONT 100.00 05 NORANDA SALES CORPORATION LTD.
CAN 7299 ONT 5.03 D 05 CANADIAN PENSION CAPITAL CORPORATION
CAN 7215 ONT 100.00 05 NORANDA METALLURGY INC/METALLURGIE NORANDA
CAN 612 ONT 52.00 06 MAGNOLIA METALLURGY INC/METALLURGIE MAGNOL
CAN 7215 ONT 100.00 05 NORANDA ENTERPRISE LTD.
CAN 3361 ONT 49.70 06 NORPAK CORPORATION
CAN 9921 ONT 100.00 05 NORANDA LEASING LIMITED
CAN 7759 ONT 10.00 D 05 ELECTROLYSER INC
CAN 929 ONT 100.00 05 MATTAGAMI LAKE EXPLORATION LIMITED
CAN 2971 ONT 100.00 05 NORANDA METAL INDUSTRIES LIMITED
CAN 3352 NS 20.00 D 05 NOVA CRYSTALS LTD
CAN 7214 ONT 50.00 D 05 S安静INOR ENVIRONMENT INC.
CAN 7215 ONT 47.56 05 DAAL ENERGY HOLDINGS INC.
CAN 6011 ONT 100.00 05 AMERICAN RACING EQUIPMENT (CANADA) INC.
GBR 929 QUE 17.50 D 05 WAITE LAKE MINES INC/MINES DU LAC WA1TE INC
CAN 612 QUE 58.80 05 NOVICOURT INC ($47 mil.)
USA ----- USA 28.00 D 05 BATTLE MOUNTAIN GOLD COMPANY
CAN 711 ALT 100.00 05 509162 ALBERTA LTD
SWE 7129 NB 50.00 D 05 TRELLNOR INC
CAN 7215 ALT 100.00 05 NORANDA INVESTMENTS LTD
CAN 7215 ONT 100.00 04 NORANDA HOLDINGS INC.
CAN 7215 ONT 49.00 R 02 AXE CANADA INC.
CAN 7215 ONT 49.90 R 02 GLG HOLDINGS INC.
CAN 7215 ONT 100.00 02 FIRST TORONTO RESOURCES CORPORATION
CAN 7215 ONT 100.00 03 BRASCAN RESOURCES LIMITED
CAN 7215 ONT 49.99 R 02 EDPER HOLDINGS INC.
CAN 2831 ONT 100.00 02 LESTER & ORPEN DENNYS LIMITED
CAN 7214 ONT 49.90 02 BRASPOWER HOLDINGS INC.
CAN 7215 ONT 100.00 02 BL INVESTMENTS INC
CAN ----- ONT 100.00 02 TRILON PACIFIC LTD
CAN 7214 ONT 87.29 02 NEI HOLDINGS INC
CAN 7215 BC 100.00 03 NORANDA EQUITIES INC.
CAN 7215 ONT 49.67 D 04 NI INVESTMENTS LIMITED
CAN 7215 ONT 70.00 02 1233231 ONTARIO LIMITED
CAN 7215 ONT 100.00 03 1225209 ONTARIO LIMITED
CAN 7215 ONT 31.00 02 NEXFOR INC ($2,428 mil.)
CAN 7499 ALT 100.00 03 NF EQUITIES INC
CAN 4911 QUE 100.00 03 MACLAREN-QUEBEC POWER COMPANY
USA 7215 BC 50.00 D 03 NORTHWOOD FOREST INDUSTRIES LTD. ($756 mil.)
CAN 7799 QUE 100.00 03 NORBOIS INC
CAN 5639 ONT 100.00 03 NORANDA FOREST SALES INC
CAN 2711 NB 100.00 03 ATHOLVILLE PULP INC.
CAN 2711 ONT 100.00 03 FRASER PAPERS INC (CANADA)/PAPIERS FRASER INC (CANA
CAN 2512 ONT 100.00 03 NORBOID INDUSTRIES INC/INDUSTRIES NORBOID INC
CAN 5929 QUE 100.00 03 JAMES MACLAREN INDUSTRIES INC/INDUSTRIES JAMES M
CAN 2711 QUE 25.00 D 04 DESECRAGE C.M.D. INC
CAN 7295 ONT 100.00 03 NORANDA FOREST RECYCLED PAPERS INC
CAN ----- QUE 100.00 03 BARWOOD FLOORING LTD/PLANCHERS BARWOOD LTEE
CAN 7499 ONT 100.00 03 NORMICK PERRON (1992) INC

Notes: The % of ownership indicates how much each corporation is owned by the corporation one tier above it, e.g. how much of tier (08) corporation is owned by (07) corporation. "INV" refers to a significant minority (but not controlling) shareholder in the enterprise; under the “C” column, a “D” indicates the corporation is not controlled by this enterprise, while an “R” indicates this is a repeat listing of the corporation.

Source: Enterprise listing from Statistics Canada (1999a); revenues from Globe and Mail (1999) and Financial Post (1999)
This enterprise has a strong base in mining and forestry sectors by controlling Westfield Minerals, Northgate Exploration, Noranda Inc., Falconbridge Ltd., Novicourt Inc., and Northwood Inc. Other ‘industrial’ corporations include the Norbord Industries (wholesaling), NBS Technologies (printing), Brookfield Properties Corporation, Gentra Inc., Carma Corporation and Royal Lepage Ltd. (real estate developers).

In addition to these ‘industrial’ corporations, the EdperBrascan Corporation enterprise controls a number of ‘financial’ corporations. The EdperBrascan Corporation is a significant financial corporation in its own right, as well as being the head of enterprise. Other ROB-FP ‘financial’ corporations controlled by this enterprise are Great Lakes Power Ltd., Brascade Resources Inc., BC Pacific Capital Corporation, and Consolidated Canadian Express Ltd. Finally, it controls several well-known financial corporations that are not included in the ROB-FP list, including Carena Holdings Ltd., and Trilon Holdings Inc.

Foreign control and ownership links between foreign and Canadian capital
While the ‘Top 25’ sample represents all leading enterprises in Canada, the inclusion of enterprises in the ‘Top 74’ sample on the basis of the wealth and power of the individuals in Canada associated with their leading corporations biases the sample towards Canadian control. Of the 74 enterprises, 12 are foreign-controlled, or 17% of the number total number of enterprises (7 are US-controlled). However, if the bias is removed by only considering only the enterprises associated with corporations that were ranked by revenues, assets and profits (there were 55 included on this basis), there are 11 foreign-controlled enterprises, or 20% of the total. This is the same proportion of foreign enterprises as in the ‘Top 25’ sample.

If the comparison is made in terms of the corporations associated with these enterprises, the large number of small Canadian-controlled enterprises reduces the foreign share. Of all ICO corporations controlled by a ‘Top 74’ enterprise, 12% are foreign-controlled (6.6% are US controlled). Of the much smaller number of large (ROB-FP-sized) corporations, 14.9% are foreign-controlled (9.7% are US-controlled). 287

The nationality of control can also be compared on the basis of assets and revenues of the ROB-FP-sized corporations associated with the ‘Top 74’ enterprises. As noted above, the ‘Top 74’ sample is biased towards Canadian enterprises, and I have not separated out the corporations included on the basis of revenues, assets or profits (the unbiased criteria). In addition, as also noted above, it is not known if their finances are consolidated. In any case, of the ROB-FP corporations controlled by the ‘Top 74’ enterprises, the share of revenues that are foreign-controlled is 17%, and of assets it is 6%.

In general, the rate of foreign control in this larger sample is similar to that in the ‘Top 25’ sample. As was noted when discussing the latter sample, this rate is lower than in the economy as a whole. The ‘Top 74’ sample thus confirms that Canadian capital controls a large majority of the very largest corporations and enterprises in the country.

Links between financial and industrial capital
I now turn to the ownership links between foreign and Canadian capital. The first indication of these links is that at the level of investors in ‘Top 74’ enterprises, the ICO reports relatively few...
instances where ‘investors’ (significant minority shareholders) in an enterprise are of a different nationality. This is the case in only 9 of the 74 enterprises, eight of which involve a Canada-US ownership connection. As already noted in the discussion of the ‘Top 25’ enterprises, US ‘investors’ own 49% of Canadian-controlled Alcan Aluminum Ltd., 11.4% of BCE Ltd., and 11.7% of TransCanada Pipelines Ltd. In addition, US investors own 25% of Westcoast Energy Inc., 10.2% of the Hudson Bay Company, and 6.9% of Trizec-Hahn Corporation. For their part, Canadian investors own 2.4% of the US-controlled E.I. DuPont de Nemours Company, and 20.9% of Newbridge Networks.

Another indication of integration of Canadian and US capital is the number of instances of joint ownership of corporations associated with the ‘Top 74’ sample. In this case, the bias in the sample towards Canadian control is quite appropriate, given that the issue is how Canadian capital is integrated with foreign capital. Of the approximately 3945 corporations associated with the 62 Canadian-controlled enterprises in the ‘Top 74’ sample, 129 are foreign-controlled (about 3% of the total), and 29 of those are large (ROB-FP) corporations. Of the approximately 470 corporations associated with the 12 foreign-controlled enterprises, 73 are Canadian controlled (about 16%), of which only 3 are large (ROB-FP) corporations. These totals further confirm that Canadian and foreign corporations do not have extensive ownership relations. It is particularly evident that Canadian enterprises have few joint investments with foreign corporations, at least within Canada.

It was not possible to carry out a detailed examination of the industrial composition of the corporations in the enterprises composing the ‘Top 74’ sample. However, I reviewed the data on each enterprise with the same general criteria in mind as were applied to the ‘Top 25’ sample. A very preliminary categorization of the ‘Top 74’ enterprises is listed in Table 7.12 below.
Table 7.12: ‘Top 74’ enterprises: Provisional classification

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<th>‘Industrial enterprises’</th>
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<tr>
<td>( ) rank based on leading corporation by revenues, foreign controlled enterprises in italics</td>
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‘Top 25’ enterprises, included on basis of revenues of leading corporations

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<td>Royal Bank</td>
<td>Canadian Pacific</td>
<td>General Motors</td>
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<td>K.R. Thomson Group</td>
<td>Ford</td>
</tr>
<tr>
<td>Bank of Nova Scotia</td>
<td>G.W. Schwartz Group</td>
<td>Daimler-Chrysler</td>
</tr>
<tr>
<td>Sun Life Assurance</td>
<td>Govt. of Ontario</td>
<td>TransCanada Pipelines</td>
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<tr>
<td>Toronto Dominion Bank</td>
<td>Govt. of Quebec</td>
<td>Weston Group</td>
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<tr>
<td>Manufact. Life Assurance</td>
<td>B.A.T. Industries PLC</td>
<td>C.R. Bronfman Group</td>
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</tbody>
</table>

Other ‘Top 74’ enterprises, included on basis of revenues, assets or profits of leading corporations

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<tr>
<td>Canada Life Assurance Co.</td>
<td>Le Groupe Desjardins</td>
<td>Les Placements Peladeau</td>
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<tr>
<td>National Bank of Canada</td>
<td>Edper Brascan Corporation</td>
<td>Exxon Corporation</td>
</tr>
<tr>
<td>HSBS Holdings PLC</td>
<td>Ont. Teachers Pension Plan Bd.</td>
<td>Ito-Yokado Co. Ltd.</td>
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<tr>
<td>Newcourt Credit Group Inc.</td>
<td>Que. Pub. Employ. Pension Plan*</td>
<td>Hudson’s Bay Company</td>
</tr>
<tr>
<td></td>
<td>Mov. Desjardins Pension Fund*</td>
<td>Air Canada</td>
</tr>
<tr>
<td></td>
<td>1109519 Ontario Limited</td>
<td>Laidlaw Inc.</td>
</tr>
<tr>
<td></td>
<td>Government of Alberta*</td>
<td>Trizec-Hahn Corporation</td>
</tr>
<tr>
<td></td>
<td>Rogers Control Trust</td>
<td>Royal Dutch Petroleum Co.</td>
</tr>
<tr>
<td></td>
<td>Government of Saskatchewan</td>
<td>E.I. Du Pont and Nemours Co.</td>
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<td>Government of BC</td>
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Other ‘Top 74’ enterprises included on basis of the wealth or power of individuals and related corporations

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<tbody>
<tr>
<td>The Irving Group*</td>
<td>The Jim Pattison Group</td>
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<tr>
<td>Mannix Family Group*</td>
<td>Newbridge Networks Corp.</td>
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<tr>
<td>Sherman Family Holdings*</td>
<td>Groupe de la Famille Saputo</td>
<td></td>
</tr>
<tr>
<td>The Asper Family Group</td>
<td>Groupe de la Fam. Chagnon</td>
<td></td>
</tr>
<tr>
<td>The Leslie L. Dan Family Group*</td>
<td>Federal Leasing Corporation</td>
<td></td>
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<tr>
<td>The Black Group</td>
<td>151210 Canada Inc.</td>
<td></td>
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<tr>
<td>Cdn.Dep. for Securit. (CDS&amp;Co.)*</td>
<td>Teleglobe Inc.</td>
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<td></td>
<td>Wallace McCain Family Gp.</td>
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<td></td>
<td>The Felberg Family Group</td>
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<td></td>
<td>The Kruger Group</td>
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<td></td>
<td>The Reichman Group</td>
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<tr>
<td></td>
<td>James Richardson Family Gp.</td>
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* No information on member corporations available, or no ROB-FP corporations are controlled (in some cases, other than the head of enterprise). However, this appears to be the most likely categorization.

7.4.3 Summary
The review of the ‘Top 74’ sample of enterprises confirms that only a minority of the largest enterprises in Canada control large (ROB-FP) corporations in both ‘financial’ and ‘industrial’ sectors. One notable difference between the ‘Top 25’ and ‘Top 74’ samples is that the latter includes a smaller proportion of ‘financial’ enterprises. While the dependency model views Canadian capital as being poorly rooted in industrial sectors, most of the largest Canadian-controlled enterprises are in the ‘industrial’ category. They include telecommunications (BCE Inc.); auto (Stronach Trust); aircraft (Bombardier Group); oil and gas (TransCanada Pipelines, Westcoast Transmission, Irving Group); distilling (C.R. Bronfman Group); aluminum (Alcan); railways (Canadian Pacific); trade (Hudson’s Bay); food (McCain Food Group, Weston Group); publishing (Placements Peladeau, Black Group, K.R. Thomson Group, Asper Group); airlines (Air Canada); and real estate (Reichman Group).

It is also possible that, if the criteria for inclusion in the ‘financial-industrial’ category were broadened, a significant number of the ‘industrial’ enterprises in Table 7.12 would be better described as ‘financial-industrial’. In addition to considering more concrete information on the industrial character of these corporations, it is also probably necessary to address other criteria, such as directorship links.

7.5 Summary and conclusion
This chapter has examined whether the ownership links between large financial and industrial corporations in Canada are consistent with the theory of finance capital. In particular, it has explored whether one form of the ‘coalescence’ of financial and industrial capital in Canada is the controlling ownership by a common parent corporation of both large financial and industrial corporations. I have also examined the extent of ownership connections between the largest Canadian-controlled corporations and the largest foreign-controlled corporations. These are important aspects of whether there is Canadian finance capital, as assumed by the imperialist model of Canada, or whether there is no finance capital in Canada (or that it is not Canadian), as assumed by the dependency model of Canada.

The data discussed in this chapter confirms that the traditional ‘German’ form of finance capital does not exist in Canada, i.e., banks do not hold significant equity in industrial corporations. If finance capital exists, it must take other forms, like the ‘Anglo-American’ form, where a combination of shared directorships, family ties and other factors combine with ownership ties to form networks that unite financial and industrial capital.

I have not attempted to evaluate the extent of non-ownership connections between corporations in different sectors of the economy. The most important of these are probably the directorship links between corporations and credit relationships. The available evidence indicates that directorship ties in Canada are denser than in the United States and some other leading capitalist countries (Ornstein, 1989), countries where finance capital presumably does exist. However, this evidence at an aggregate level needs to be broken down to the corporation-by-corporation level and combined with ownership data. Shared directorships and other links among these corporations may reinforce or extend the networks identified by ownership ties. While systematic information on credit relations between ‘financial’ and ‘industrial’ corporations is
difficult to obtain, even partial information along these lines might reinforce the patterns detected on the basis of ownership, and help identify variations of these patterns.291

I focused on the enterprise unit in evaluating the extent of such ownership links between large financial and industrial corporations in Canada, because this form of inter-corporate ownership appears to be more significant in Canada than other countries. There are a number of important limitations to the investigation carried out in this chapter. However, in general terms, the results obtained indicate that the predominant pattern is not common ownership of both large financial and industrial corporations. In most cases, the large corporations associated with two samples of enterprises examined are either ‘financial’ or ‘industrial’ corporations. Of the ‘Top 25’ enterprises examined, only seven were preliminarily categorized as ‘financial-industrial’ enterprises. Only 27 enterprises were included in this category in the even more provisional categorization of the ‘Top 74’ sample of enterprises.

On the other hand, this chapter does demonstrate that there are a significant number of leading enterprises in the Canadian economy where the concept of finance capital ownership may be expressed through ownership links between financial and industrial corporations. This number might be larger if additional information was available.

In particular, the grouping of enterprises in this chapter relies heavily on sectoral designations of corporations that are clearly inadequate for this kind of exercise. More concrete information on the actual activities of these corporations is required, and it is appropriate to consider Canadian-controlled corporations outside Canada. I also only examined the ownership relations between financial and industrial corporations at one point in time. There may be long-term trends in such relations, e.g., it is possible that ownership relations between financial and industrial corporations in periods of capitalist prosperity differ from those in periods of capitalist crisis. Finally, it would be very useful to be able to compare the extent of these ownership links with those in other countries.

In short, further investigation is required to determine if the pattern of ownership links between leading corporations in Canada uphold the idea that the Canadian economy is dominated by finance capital. At the same time, the pattern of ownership links that has been described suggests that the dependency model underestimates the links of this kind that do exist.

The other main conclusion that emerges from this investigation concerns the role of foreign ownership of the largest corporations in the country. This topic was addressed at an aggregate level in Chapter 5, where I argued that the extent of direct foreign control of the Canadian economy is less than widely assumed, especially when the high rate of Canadian control of financial corporations and other large enterprises in the country is considered.

The more detailed evidence on these enterprises discussed in this chapter reinforces the argument in Chapter 5. It provides a more concrete picture of the large size and strong Canadian control of the leading ‘financial’ enterprises in the economy. The listing of the leading ‘industrial’ and ‘financial-industrial’ enterprises underscores that Canadian control also predominates in most individual industrial sectors.
On this point, the evidence is more consistent with the imperialist model of Canada than the dependency model. This chapter directly addresses a further point that could not be considered on the basis of the aggregate rates of foreign control discussed in Chapter 5, namely the ownership links between individual foreign- and Canadian-controlled corporations. In the samples of enterprises examined, there are only a modest number of such links at the level of either the enterprise parent and of the corporations associated with these enterprises. In other words, Canadian and foreign enterprises and corporations are generally not integrated through ownership; they are relatively separate and distinct. In particular, there is no evidence that Canadian banks are more closely with US industrial corporations than with Canadian industrial corporations.

The evidence in this chapter is limited to corporations in Canada, and it is possible that ownership links with foreign corporations outside Canada are more common. However, the pattern within Canada is consistent with the imperialist model’s assumption that there is a ‘national’ form of capital in Canada, that is, with a structure and interests that are independent of foreign capital (and specifically US capital). It challenges the dependency model’s assumption that such an integration of Canadian and US capital compounds the foreign influence expressed by the comparatively high rates of aggregate foreign control.

This study focused on ownership links between corporations, because these links have not been extensively investigated in recent decades. However, it seems clear that further investigation of finance capital in Canada should combine ownership information with other kinds of connections between corporations, especially directorship links. While ownership links suggest the extent and ultimate direction of influence in the relations between corporations, directorship links tend to confirm that such influence and coordination is actually being practiced. As noted in the previous chapter, Berkowitz and Fitzgerald (1995) experimented with designating control using both ownership and directorship links. They concluded that 15% or greater share ownership combined plus three or more directorship links resulted in a consistent mapping of corporations and enterprises. Directorship information should be combined with ownership information when identifying the sample of leading enterprises in Canada, and when evaluating how the leading Canadian-controlled corporations in various sectors of the economy are linked to each other, and with foreign corporations.

Finally, this chapter has approached the issue of finance capital in terms of linkages between separate financial and industrial corporations. However, such a ‘merger’ of financial and industrial capital may also exist within a single corporation. This is one way of interpreting the significant extent of corporate financing through retained earnings, and the fact that many corporations carry out both ‘financial’ and ‘industrial’ activities. This points to how the sector designations of corporations are determined. It is probably necessary to consider intra-corporate as well as inter-corporate linkages between ‘financial’ and ‘industrial’ capital. It also points to the need for theoretical clarification and refinement of the concept of finance capital.

In conclusion, an important assumption of the imperialist model of Canada is that, like other advanced capitalist countries, the domestic economy is controlled by ‘national’ finance capital. While the theory of finance capital has not been a central concept in dependency models of Canada, it is often suggested that there is an atypical division between sectors of capital in
Canada. In particular, the dependency model assumes that leading sectors of Canadian capital are so closely allied with US capital that no independent Canadian bourgeoisie exists. The best directorship evidence available is not consistent with the dependency model, but it is generally consistent with the imperialist model. However, this evidence does not adequately demonstrate the applicability of the theory of finance capital to Canada.

This chapter has explored the issue of finance capital in terms of whether the leading enterprises in Canada include extensive ownership links between industrial and financial corporations. It indicates that only a minority of enterprises express such links. If finance capital, even the ‘looser’ Anglo-American’ form exists in Canada, further evidence is required to demonstrate this. In particular, the ownership information discussed here should be combined with directorship links in discussions of Canada’s political-economic status.

One reason I focused on the issue of finance capital as the merging of financial and industrial sectors of capital is that it seemed to be a point where the imperialist model of Canada is vulnerable, or at the least, needs better elaboration. The results of this investigation have reinforced this perception. However, they cast much greater doubt on the claims of the dependency model. On the broad question of whether or not there is a group of relatively strong and relatively independent, Canadian-controlled corporations who predominate in most sectors of the economy, the evidence in this chapter is more consistent with the imperialist model of Canada than the dependency model.
Part IV: The Structure of Industry and Canada's Political-Economic Status
Chapter 8: The Structure of Industry in Canada

The theory of deindustrialization as a consequence of imperial dominance will have more practical consequences for the future of jobs, economic security, and quality of life for Canadians than any single other explanatory concept on the Canadian horizon.

...The analysis itself will receive the acid test during the 1970s and 1980s, the decades when Canada's future will be pointed either towards continentalism and a final lament or towards socialist independentism and a new birth.

--Robert Laxer (1973, 9; 25)

8.1 Introduction

In previous chapters, I argued that the evidence regarding foreign control and the organization of capital is inconsistent with the dependency model of Canada. This chapter turns to one of the most important consequence of these factors, namely, the nature of industrial development in this country. I examine which model better describes Canada's industrial base -- the model of a relatively dependent country, or the model of an imperialist country.

One reason this issue is probably more significant than those discussed in previous chapters is that the dependency model draws a particularly close causal connection between what it considers unprecedented foreign control and an unusually divided capitalist class on one side, and what it describes as Canada's industrial underdevelopment on the other. The imperialist model does not perceive foreign control or the organization of capital in Canada to be qualitatively different than in other imperialist countries, or that the result is a qualitatively different or inferior industrial base. In addition to the direct evidence about Canadian industry, this issue therefore also provides indirect evidence on the validity of assumptions regarding foreign control and the organization of capital in Canada.

A second reason why industrial development is probably more significant than the points discussed in Parts II and III is that the politics of each model are often expressed in relation to industrial development. This is particularly true of the dependency model, which is one root of the left-nationalist political-economic strategy currently supported by most socialists in this country. For example, proposals for a 'national industrial policy' aimed at fostering manufacturing employment are likely to gain more attention than measures to encourage bank capitalists to get along better with industrial capitalists, or even policies aimed at regulating foreign control in a given industry. Of course, left-nationalist national industrial policies also presume certain relations with the state and certain political alliances between class forces. This is usually why socialists who are not nationalists disagree that these policies are in the best interests of working people and other social movements.
This chapter will describe how, in terms of the scale of industrial production and the kind of goods produced and traded, Canada ranks somewhere between the most highly industrialized countries and the semi-industrialized countries. This discussion may seem like a debate over whether a glass of water is ‘nearly full’ or ‘partly empty’. The choice is always partly perceptual. However, close examination reveals that the level of water in the glass representing Canada is higher than dependency writers claim, and it has been rising over time. Describing the glass as ‘partly empty’ portrays the difference between Canada and other industrialized countries as more qualitative than is really the case. I will argue it is more appropriate to describe the glass as ‘nearly full’, that is, Canada’s industrial development is generally comparable to that in imperialist countries, and in some ways is even comparable to some of the members of the G7 club of core imperialist powers.

8.1.1 The two models of Canada
As in previous chapters, I have identified the contrasting assumptions of each model regarding industrial development in Canada by reviewing the literature for elements of each model. Many of the authors quoted would probably disagree with at least some aspects of the ‘model’ with which I associate their contribution. This is particularly true of the political implications that I draw out of the contrasting descriptions of Canada’s industrial base. In other words, these ‘models’ are somewhat contrived. However, I think their general thrust is sufficiently familiar for them to be a useful point of departure for this discussion.

The dependency model
The dependency model represents Canada as industrially underdeveloped relative to other advanced capitalist countries. This is a key reason to distinguish Canada from these countries and from the status of an imperialist economy. Instead, Canada is thought to share some of the industrial characteristics of ‘third’-world, ‘semi-industrial’ or ‘peripheral’ countries, such as an over-reliance on primary product exports and too few high value-added manufacturing industries.

For example, Drache (1977, 16) describes Canada as a case of “advanced resource capitalism...underindustrialized by imperial interests, but not completely dependent and sharing some of the social relations of advanced capitalism”. Britton and Gilmour (1978, 52) write, “over the decades an underdeveloped industrial economy typical of satellite or hinterland economies has been generated”. Williams (1994, 25) argues that, “Canada’s participation in the keystone world trade in manufactures remains stalled and Canada persists in its regional role as a resource-producing backwater of the North American economy.”

The political conclusion that typically follows from this characterization is the need for left or ‘etatist’ nationalism. Because these writers believe that Canadian capitalists are unwilling or unable to develop the economy along advanced capitalist lines, state intervention is considered necessary. One of the most common left-nationalist arguments is the need to adopt a ‘national industrial policy’ aimed at increasing the production and export of more value-added and technologically sophisticated products. Examples are Britton and Gilmour’s (1978) advocacy of national coordination of technological development, and Williams’ (1983, 12) proposed strategy of “international specialization through production for world markets of a number of
technologically innovative lines". Drache and Gertler (1991, 19) express the assumption of what such nationalist economic measures can achieve:

The central challenge for Canada is to develop an industrial strategy that maximizes its commercial leverage globally, insulates it (to the extent possible) from the sharp and unpredictable downswings in the business cycle, delivers a reasonable standard of living to its workers, and protects its capacity to set its own standards.

Economic nationalism is also advanced as part of the program for socialism. This was expressed most directly by the "independence and socialism" strategy popularized by the Waffle faction of the NDP in the 1970s. It is now cited less frequently, but is still a central part of the thinking that guides left-nationalists. An example of this is Whitaker’s (1989, 13) comment, in relation to the need to oppose ‘free’ trade, that “the possibility of socialism in our era is the possibility of Canada”. Mahon (1993, 2-3) describes how most ‘new’ Canadian political economists accept the “core problematic” that Canada is “a rich dependency” and “the politico-strategic horizons which followed therefrom – struggle for an independent, socialist Canada.” The “independence and socialism” perspective has been raised most recently in the context of the New Politics Initiative associated with the left wing of the NDP (Panitch, 2001).

Another expression of left-nationalism is the belief that protecting Canadian economic sovereignty is a priority task in the broader struggle to defend the social interests of working people. This is evident in the approach taken by the labour leadership to ‘free’ trade with the US. It described this campaign as a “fight for a sovereign and independent Canada” (UAW [1987], cited in Sparke, 1996, 203), and a “struggle for the survival and independence of our nation” (CLC, [1986], in Ibid.). Opposing ‘free’ trade along this nationalist axis has been the labour movement’s main political campaign for more than a decade.

Like any strategy, certain kinds of political alliances flow from dependency or left-nationalist perspectives. Since foreign imperialism is thought to dominate Canada, some left-nationalists propose that the labour movement should seek broad alliances with ‘progressive’ or ‘nationalist’ bourgeois forces against foreign capital. For example, the Communist Party of Canada has advocated an “anti-monopoly alliance” for more than half a century. It aims to ‘unite’ broad social forces against ‘continental finance capital’ composed of foreign capital and those factions of domestic capital that have ‘sold out’ Canada’s national interest. Left-nationalists who normally give critical support to the NDP sometimes consider it necessary to instead vote for one or other big business party as a ‘lesser evil’ to the other big business party, such as during the 1988 “free trade” election.

In addition to influencing the political alliances between social classes, support for Canadian nationalism also frames the alliances that can be forged between Labour and oppressed nations within Canada. Many left-nationalists are sympathetic to the national grievances of Quebecois/e, Acadians and Natives. However, the perceived need to defend Canada’s economic and political sovereignty tends to qualify their support for the self-determination of oppressed nations or nationalities within Canada. For example, the defense of Canada is generally thought to require a strong federal state. As a result, Canadian economic nationalism often conflicts with the desire of nations within Canada for political sovereignty.
One example is the tension that developed between opponents of ‘free’ trade in English Canada and working people in Quebec. As Whitaker writes, “Class based opposition to free trade was drowned in a blue sea of Quebec first sentiment”. As a result, “[F]ree trade was imposed upon English Canada on the backs of Quebec voters” (Whitaker (1989, 12), cited in Spark (1996, 203). The implication, of course, is that workers from the oppressed nation should subordinate their national interests to the Canadian nationalist campaign by workers in the rest of the Canadian state.

A final characteristic of the dependency model of Canada is that it tends to give analytical priority to what are seen as factors that are nationally-specific to Canada rather than to the characteristics shared by advanced capitalist societies more generally. These factors are often described in terms of Canada being a foreign-dominated, staple-based economy. Daniel Drache (1983, 41) expresses this approach in criticizing what he calls “metropolitan Marxism” for assuming that,

...social relations in Canada can be studied as a variant of the general case of advanced capitalism...that the long-run trend of all bourgeois societies are significantly more important than their cultural, economic and institutional differences.

In other words, left-nationalists consider Canadian capitalism unique or ‘exceptional’. This is one reason why Canadian nationalism is viewed with less suspicion than is usually reserved for nationalism in other advanced capitalist countries, like the US, Japan and France.

The imperialist model
In contrast, the imperialist model of Canada assumes that the industrial development of Canada is generally comparable to that in other leading countries. It agrees that Canada specializes in exporting resource-based products to a greater extent than most other advanced capitalist countries. However, supporters of the imperialist model disagree with the significance given this factor in dependency accounts. They argue that the dependency model exaggerates Canada’s reliance on resource products, and minimizes its record of success in ‘higher-order’ industrial sectors. More generally, Canada’s role in the world division of labour is not seen as being comparable with nationally oppressed and exploited countries in the ‘third’ world. For example, Canada’s role in the world division of labour is not imposed by foreign imperialist domination, and Canada is not nationally exploited through the mechanism of unequal exchange.

Supporters of the imperialist model do not share the ‘pessimism’ of dependency writers about the capacity of capitalist industry in Canada to expand into world markets. Instead, they emphasize Canada is becoming more and more like other advanced capitalist countries. For example, Moore and Wells (1975) and Kellogg (1991) each argue that, contrary to dependency predictions, the capacity of Canadian industry to export manufactured products had improved relative to that in other advanced capitalist countries over the preceding several decades.

The imperialist model assumes that the economy and state in Canada are dominated by Canadian rather than foreign capitalists. It thus rejects the dependency attribution of social and economic problems to an ‘underdeveloped’ or ‘truncated’ form of capitalism imposed by foreign domination. Instead, such problems are attributed to capitalism in general, and to Canadian
capitalists in particular. Given these assumptions, it is considered unlikely that the social and economic problems faced by working people can be mitigated through economic nationalist policies. Some writers who consider Canada imperialist emphasize that such measures reinforce (rather than helping to undermine) the political-ideological hegemony of the Canadian bourgeoisie (Simms and Young, 1990).

As in the case of the dependency model, the assumption of which classes hold power in Canada has important implications for political alliances. If the Canadian bourgeoisie exercise state power (rather than the state serving foreign capitalists), the implication is that the working class should prioritize political alliances with other exploited producers (like family farmers, small fishers and owner-operator truckers) over multi-class alliances with ‘progressive’ or ‘nationalist’ factions of the bourgeoisie. It also follows that working people and oppressed nations within Canada (Quebec, Natives, Acadians) are ‘natural’ allies in facing a common political opponent, the Canadian state. Since effective alliances can only be built on the basis of equality, it follows that respecting the right of national self-determination of oppressed nations inside Canada is a central aspect of a working class strategy for winning political power in the Canadian state (see Dugré, 1987).

Finally, if Canada is an imperialist country, then its uniqueness or specificity is both different than and explains less than is assumed by dependency approaches. The imperialist model does not consider staples the defining feature of Canadian capitalism (McNally, 1981). Instead of emphasizing Canada’s specificity in terms of this country’s industrial specialization, this model emphasizes the specificity of social relations, such as the particular combination of class and nationality in struggles for a more egalitarian and democratic future (Dugré, 1987). More generally, supporters of the imperialist model consider Canada’s political economy to be similar to that in other imperialist countries. As Drache complains in the quote above, they largely assume that “Canada can be studied as a variant of the general case of advanced capitalism”.

8.1.2 Hypothesis and data sources
As outlined, the dependency and imperialist models hold inter-related empirical, analytical and political assumptions about the extent and composition of industry in Canada. This chapter focuses on evaluating assumptions in these areas that can be expressed in empirical or quantitative terms. I examine how the empirical record relates to the assumptions of each model, especially in terms of how Canada compares to other imperialist countries, and the trends over time.

Hypothesis
The general hypothesis corresponding to the dependency model that industry in Canada is underdeveloped relative to that in advanced capitalist countries. This underdevelopment is usually expressed in two ways. The first is the relative size of the primary and manufacturing sectors, and the second is the composition of manufacturing production and exports. It argues that Canada is overly specialized in primary sectors, e.g., the production and export of largely unprocessed natural resources, or staples. Corresponding to this is an unusually small manufacturing sector, which is also heavily oriented to the early stages of processing instead of producing and exporting finished goods. The dependency model also emphasizes there is a low level of technological development in Canadian industry. This is often explained in terms of an
industrial ‘truncation’ due to research being concentrated in the home countries of the foreign-owned corporations in Canada.

The counter-hypothesis corresponding to the imperialist model is that industry in Canada is generally comparable to that in other imperialist countries. While Canada produces and exports more unprocessed natural resources than most advanced capitalist countries it is also characterized by a generally well-developed manufacturing sector, which produces and exports significant volumes of ‘high-end’ industrial goods. This model agrees that technology is an important aspect of industrial development, but it disagrees that Canada lags significantly behind other imperialist countries in this regard.

It may be noted that these descriptions focus on industrial structure, although the dependency position is sometimes also posed in terms of ‘micro’ processes that are thought to contribute to such ‘macro’ results. For example, it is often suggested that foreign firms have a greater propensity to import capital equipment than do domestic firms, thus reducing the potential demand for capital equipment in Canada. However, I will limit my attention to the aggregate or ‘macro’ results of such processes. Similarly, my purpose in this chapter is to focus on the structure of Canada’s industrial base rather than other implications of the fact that foreign ownership and control is greater in these sectors than in the economy as a whole.

Table 8.13 below summarizes my hypothesis in the form of the assumptions that correspond to each model, and the measures that will be used to test them.

Table 8.13: Contrasting assumptions about Canada and measures used

<table>
<thead>
<tr>
<th>General Hypothesis</th>
<th>Dependency model</th>
<th>Imperialist model</th>
<th>Measures used</th>
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<tbody>
<tr>
<td></td>
<td>Canada is industrially underdeveloped and not comparable to other advanced capitalist countries</td>
<td>Industry in Canada is well developed and generally comparable to that in advanced capitalist countries</td>
<td>Data on industrial trends in Canada, and comparisons with other imperialist countries</td>
</tr>
<tr>
<td>Specific hypotheses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importance of primary sector or ‘staples’</td>
<td>The dominant feature of Canada’s economy</td>
<td>An important sector, but not inconsistent with imperialist status</td>
<td>Primary sector share of GDP and trade</td>
</tr>
<tr>
<td>Development of manufacturing sector</td>
<td>Atypically small</td>
<td>Generally comparable to that in other imperialist countries</td>
<td>Manufacturing share of GDP and trade; per capita manufacturing production and trade</td>
</tr>
<tr>
<td>Manufacturing specializations</td>
<td>Manufacturing production and exports include few end-goods.</td>
<td>Industrial specializations are comparable to other imperialist countries</td>
<td>Share of finished goods in manufacturing production and trade</td>
</tr>
<tr>
<td>Technology</td>
<td>Poor technology development and implementation</td>
<td>Technology employed comparable to other industrial countries</td>
<td>Rates of R&amp;D; ‘high technology’ share of manufacturing</td>
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Sources of data
The measures and data sources used in this chapter are those conventionally used in discussions of this topic, e.g., Statistics Canada data on manufacturing production and trade, and OECD and UN compilations of national data for other countries. Where possible, I have updated previous
studies using their original sources or equivalent data, extending the period considered by a
decade or two, usually up to 1997. I also draw from a special study by Statistics Canada on
manufacturing production by the stage of processing to address the current extent of ‘staple’
production within the manufacturing sector in Canada.

In addition to the additional years of data now available, this analysis benefits from better quality
data, especially for international comparisons. In particular, I rely on a comprehensive OECD
database on industrial production and trade that was developed to facilitate international
comparisons of industrial development at a detailed sector level. This Structural Analysis
(STAN) industrial database (see OECD, 1999a) employs a variety of sophisticated estimating
techniques to adjust national industrial data to achieve greater coverage and consistency. It also
provides useful comparisons of various measures of technology.

8.1.3 Outline of chapter
Section 8.2 below reviews two issues that provide some context for the points discussed in
Section 8.3. One is the significance or qualitative importance of manufacturing industry in social
and economic development more broadly. The other is a note on the ‘quantitative’ extent of
industry in Canada in the 19th century.

Section 8.3 then discusses a series of measures of Canada’s current industrial development. The
first address the relative size of primary and secondary sectors of the economy, both in terms of
production and trade. The second describe the composition of the manufacturing sector (i.e., the
specialization within manufacturing) in terms of the stage of processing. The third represent the
level of technology in manufacturing industries. Section 8.4 summarizes the evidence and
arguments about which model of Canada is more consistent with the evidence discussed.

One significant issue not addressed in this chapter is the regional distribution of industry in
Canada. When manufacturing in this country is discussed it can be easy to forget that what is
mainly represented is the Windsor-Quebec city corridor in southern Ontario and southern
Quebec, not the rest of Canada.

The main reason I do not address the regional distribution of industry is that both models regard
the national scale as the primary issue in Canada’s status. The dependency model views regional
disparity in Canada as a consequence of this country’s national dependency, while the imperialist
model tends to assume that such disparity is a ‘normal’ characteristic of capitalist development.
Regional issues are largely defined by the national context and so the latter is what needs to be
clarified first.

The other reason for not addressing the regional scale of manufacturing is the difficulty obtaining
data at this scale. It is remarkable how few empirical comparisons have been made of the
regional differences in Canada and in other countries. For example, it is widely assumed that the
regional variations in industry in Canada are greater than in other countries, but I am not aware
of any studies that actually document the extent to which this is true. In short, the regional
dimension is one that does need to be addressed, but it is set aside in this study.

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8.2 The role of staples and manufacturing in Canada’s early development

Both models of Canada generally agree that the development of world-competitive manufacturing industry is a hallmark of advanced capitalist or imperialist economies. However, they differ on the relative significance of this factor. Dependency writers tend to focus on the dynamics of the sectoral (economic) structure of the economy, while supporters of the imperialist model emphasize the dynamics of the class (social) structure.

For example, Schmidt (1981, 76-77) criticizes what he considers the preoccupation with manufacturing development by dependency or left-nationalist writers. He writes that they assume that “manufacturing is synonymous with national development -- that a manufacturing economy is the natural goal of national development”. Schmidt complains that for left-nationalists, socialism seems to amount to ‘more manufacturing’. 296 Left-nationalists think the Canadian bourgeoisie has failed in what is assumed to be the historical mission of this class, to promote national industrialization. Schmidt suggests that, as a result, “socialism is substituted for liberalism as an alternate route to the same national goal -- a goal...in search of a class bearer.” 297

In this section, I will discuss one root of the left-nationalist preoccupation with manufacturing, the traditional staples theory argument that manufacturing is underdeveloped because Canada relies too heavily on the production and export of natural resource products. The staples theory of H.A. Innis (1970 [1930]) interprets Canadian economic development in terms of the consequences of specializing in successive staple products, mostly for export (cod, fur, timber, wheat, minerals, etc.). These staples dominate the rest of the economy, and inhibit the rounded development of manufacturing, a syndrome that Watkins (1963) calls the ‘staple trap’. 298

Writers who consider Canada imperialist argue that dependency positions place too much significance on staples and their role in Canadian economic development. The first or ‘qualitative’ argument is that the staples approach is flawed by technological and environmental determinism. The second or ‘quantitative’ argument is that staples writers exaggerate the actual extent of these activities in Canada’s early development.

8.2.1 Environmental or social determination

Technological or environmental determinism interprets economic and social development as caused by technical or environmental factors, conceived as largely independent of social factors. At issue is what agency is attributed to technical and environmental factors in understanding economic development, as opposed to social and historical factors.

Even writers who uphold Innis’ contribution to Canadian political economy agree he emphasized environmental rather than social factors. Watkins (in Russell, 1966, 286) writes that, for Innis, "the physical character of the staple – the lightness of fur, the perishability of cod, the bulkiness of timber, the variability of wheat harvests, the capital-intensivity of mining -- became the central theme around which to write the total history of Canada’s economic, political, and social institutions."
Historian of economic thought Carl Berger (1976, 98; 101) writes of Innis: “[H]is history, as history, was dehumanized” and, “…in the thirties his published views verged on hard technological determinism”.

Innis’ left-wing critics argue that instead of explaining Canada’s development in terms of environmental or technical factors, it is the social relations of production that are fundamental. This is evident in Ryerson’s response to a comment about Innis by C.B. Macpherson, that Innis had “taken for granted” the profit and power of capitalist enterprise and so chose to focus his attention on staples and their associated technologies (quoted in Ryerson, 1975 [1968], 426). While praising Innis’ historical research, Ryerson replies that “one cannot simply ‘take for granted’ the dynamics of capitalism and still explain the driving forces of economic development”. This amounts to a “mechanist, one-sided fixation on the ‘role’ of a single product or of one element in technology”. It fails to address how staples production “operated within a framework of socio-political relationships, those of merchant capital and then later nascent industrial, under conditions of colonialism” (Ibid.).

McNally (1981) links the criticism of staples theory’s technological and environmental determinism to what Marx called the commodity fetishism characteristic of bourgeois political economy. Commodity fetishism was Marx’s explanation for why political economy held an inverted perspective of the world, viewing it in terms of “material relations between persons and social relations between things” (Marx, quoted by McNally, 1986, 163). Marx argued that the classical political economists like Adam Smith failed to understand that markets express broader social relations imbedded in the capitalist mode of production. Bourgeois political economy ‘naturalized’ the historically specific nature of market relations, and fixated on the sphere of exchange rather than the sphere of production.

McNally argues that Innis compounded this commodity fetishism (inherited from Adam Smith) with technological and geographical determinism (inherited from Thorstein Veblen (1965 [1904]) and the Frontier School of US political economy). Like Ryerson, McNally (1986, 162) complains that “Innis sees the inherent properties of the staple commodity and not social and class relations of production as determinant of the historical process”. He describes this approach as “commodity fetishism writ large”, and argues, “it is not overstatement to change Marx’s dictum and to state that for Innis commodities make their own history -- although not, perhaps, in conditions of their own choosing” (Ibid.,46).

From a dependency perspective, Drache (1991 [1982]) also notes Innis’ focus on market exchange, but as a defense against the accusation of technological determinism. He argues that Innis’ principal contribution to Canadian political economy was not his focus on staples themselves, but the nature of the markets for these products. He highlights Innis’ attention to the ‘economic rigidities’ and disequilibrium conditions characteristic of the staple trades. Drache argues it was Innis’ attention to these deviations from free market assumptions that made it possible for him to be,

…the first to explain theoretically why the external economy shaped, directed, and ultimately controlled the destiny of Canada as a hinterland, preventing it from becoming a fully integrated, autonomous, centre economy”. (Ibid., 22)
Drache’s argument is similar to the approach taken earlier by Watkins (1963). Watkin’s ‘re-interpretation’ of staples theory focused on the relatively few forward and backward linkages that develop between staples and other domestic sectors. The absence of these inter-sector linkages -- which are assumed to be characteristic of well-developed market economies -- is a central element in the staples explanation for why industrial development in Canada lagged behind that in other capitalist countries. Kari Levitt described staples theory as a Canadian version of explanation by Latin American dependency writers like Prebish (1950) and Frank (1966) for why developed forms of capitalism failed to emerge in countries dominated by imperialism. She wrote that, “Innis was the chronological antecedent of the Latin American economists in developing a ‘metropolis-periphery’ approach to American staple economies” (Levitt, 1970, 46).

Despite differences in emphasis, these writers share the assumption that industrial development is, in significant part a function of how well the market mechanism operates. Their focus is on different regimes of exchange. They begin from this point rather than the broader social relations of production in which markets are embedded. While their interpretation of Innis moves away from his environmental and technological determinism, it tends to reiterate the ‘market determinism’ that Innis’ staples theory shares with bourgeois political economy. To the degree this is true, Ryerson’s and McNally’s criticisms of this approach arguably still apply.

Of course, dependency writers do not claim that, by itself, staples theory is sufficient -- social and political questions, including those emphasized by Marxism, must also be considered. However, staples are thought to represent what is specific about Canadian capitalism, and thus represent what is lacking in the over-generalized analysis offered by Marxism. If so, the question is the compatibility of the two approaches, and whether the appropriate national specificity is identified.

Parker (1977, 547) argues that “Innis’ work, taken as a whole in its historical trajectory...can best be understood as that of an historical materialist, and a developing dialectical materialist, notwithstanding certain contradictions”. I agree with writers like McNally (1981) who find this equation of Innis’ approach with Marxism very problematic. In my opinion, the exchange between Parker (1977, 1983) and McNally (1981, 1986) on this subject shows that the Parker’s use of key concepts like materialism and dialectics are inconsistent with classical Marxist approaches.

One example is that, instead of a “trajectory” towards the Marxist method identified by Parker (see above), even Watkins (in Russell, 1966, 287) notes the consistency in Innis’ approach. He writes that when Innis shifted attention from economics to universal history,

...everything changed but the method. In effect the medium became the staple. Instead of the great staple trades of Canada, we now find as the unifying theme the great media of history such as stone, papyrus, parchment, paper, print and radio.

Innis argued that ‘heavy’ media like clay tablets promoted empires based on local monopolies of knowledge, while ‘light’ media like paper tended to result in territorial empires (Barnes, 1993). This kind of ‘materialist’ argument is clearly more technical and mechanical than historical and
dialectical. Like Innis’ analysis of Canada, the influence of social relations is still largely absent; history is animated by things rather than people.

Another example of the issue of compatibility is raised by Watkins’ (1997, 26) description of ‘new’ Canadian political economy as “a marriage of Innis and Marx, staples and class”. His suggestion for how the two may be combined is that,

“[L]ike Innis, one could keep one’s eye on the staple and its mode of production and the pervasive consequences; like Marx, one would systematically explore the relationships between the staple mode of production and class structure”.302

It seems to me this formulation simply repeats the old staples determinism in a new form. Staples retain their own “mode of production” and “pervasive consequences” that are analytically prior and distinct from “class structure”. Class is present, but it and staples remain independent causal influences. The ‘dualism’ of this approach conflicts with the basic theoretical assumption of classical Marxism that reality is a single inter-related whole.303

Finally, when Drache (1984, 48) provides an example of the “relationship” between staples and class, the direction of causality still seems to largely flow from the technical to the social. He writes that the “implementation of the labour market and the development of the working class reflect the productive forces of each staple. The principal notion...is that each staple determines its own relationship, labour requirement and labour markets” (cited in McNally, 1981).

Writers whose approach is consistent with the imperialist model of Canada have instead stressed the prior importance of capitalist social relations. For example, Meyers (1972 [1914]), Ryerson (1975 [1943]), Pentland (1981 [1960]), McNally (1981) and Dugré (1987) all emphasize that it was the restrictive colonial land policy in Canada (i.e., not “each staple”) that ‘created’ the working class and ‘determined’ labour markets in Canada. The result of this colonial land policy was that a less dynamic form of capitalism emerged than in the more democratic, republican US. While industry did develop in Canada, British colonial rule resulted in Canada’s development lagging behind that across the border. In short, rather than blaming the staples specialization for Canada’s slower industrial development, they point to the role of particular social relations.304

The issue of Irish immigration provides a good contrast between the staple and social-relations approach. Innis addresses this as an example of the influence of the ‘excess capacity’ that is characteristic of staple economies -- Irish immigrants filled what would otherwise be empty holds of timber ships returning from Britain (in M.Q. Innis, 1956, 146). In contrast, Pentland (1981 [1960]) focuses how colonial immigration policy consciously aimed to ensure there were labourers available for profitable employment by capital. In addition to taking advantage of the desperation resulting from the potato famine in Ireland, and the terrible conditions on the transport ships, he argues the preference for Irish immigrants was motivated by the perception they were less likely to seek independent farming opportunities in Canada.305

In any case, and instead of pursuing a theoretical discussion of these points, I think it is useful to see what the empirical record of industrial development offers to this discussion. Empirical facts are always subject to interpretation within a particular conceptual framework, but evidence on the quantitative importance of staples can also help clarify their qualitative importance. Below I
briefly review the differences between the two models on the quantitative importance of staples and manufacturing industry in the early development of Canada, particularly the 19th century. This leads to the main discussion, in Section 8.4, on the contemporary size and composition of industry in Canada.

### 8.2.2 Staples and Canada's early development

In discussing the staples approach to Canada's early development, it is important to acknowledge two versions of this school of thought. Drache (1977) calls them the 'pessimistic' and 'optimistic' approaches. The former is associated with H.A. Innis himself, whose work emphasizes the central role of staples in both early periods and in the structure of Canada's contemporary economy. This is version from which dependency approaches draw.

The 'optimistic' version is represented by W.A. Macintosh (1967 [1922]). Macintosh concluded that by the early 20th century Canada had successfully completed the transition from the staples system to a modern industrial system. Neoclassical economists also tend to emphasize the shift in relative importance of staple exports and the internal market in Canada, and often date this transition even earlier. For example, based on their share of output and exports, Buckley (1958) argues that the "staples era" ended around 1820. Pomfret (1981) summarizes a number of studies documenting a significant industrial "take off" from about 1860 onwards. Economic historian Bairoch's (1982) international comparison of levels of industrialization in the 19th century indicates that, while Canada was not an industrial leader, it also was not a laggard. His estimates show that in 1860 Canada ranked 20th in the world in terms of total manufacturing output and 17th in per capita manufacturing output. By 1913, Canada held 13th and 8th place respectively (Ibid., 284, 286).

Supporters of the imperialist model of Canada share the skepticism of staple school 'optimists' and neoclassical economists that staples were more important than manufacturing in the 19th century. Ryerson's (1975) history of Upper and Lower Canada emphasizes the emergence of capitalist industry even before the 1867 Confederation. In his review of Naylor's (1975) The History of Canadian Business (a leading example of the dependency argument that national industry in Canada was suppressed by mercantile-staple capital), Ryerson (1976, 43) writes, "[I]ndustrial development is underrated, inconsistently but unmistakably".

Pentland (1981 [1960]) approaches this issue in terms of the development of labour markets in Canada. He underlines the transition that occurred between the 'personal' labour relations that characterized the early staple trades like fish and fur, and the more developed capitalist relations associated with the emergence of manufacturing industry. This leads him to argue that the relative importance of later staples is often over-rated. He notes that even during the fur trade of the French period this trade did not involve more than about 15% of the labour force, or about 2000 men in a population of 50,000 in 1750 (Ibid., 29; and n.18, citing Innis). Of course, this discussion concerns the activities of European settlers. Native hunters, guides and suppliers of foodstuffs, canoes, and other goods to European traders performed most of the work in the fur trade. The main point, however, is that most labour was devoted to agriculture and the internal market, not to exporting fur, timber or other staples except wheat.
More generally, Pentland emphasizes the same point as Ryerson and the neoclassical economic historians quoted above regarding the qualitative shift in that occurred in the nature of the economy during the second half of the 19th century:

...a paramount fact about Canada is that it did develop a national economy of an industrial type in the nineteenth century. The Canada that existed until 1820 needs to be described, and has been very well described, in terms of staple production -- a language that is still appropriate to the dependent outposts of the economic world. But this language will not do to describe the Canada of 1870: what is required for that is the terminology of advanced industrial societies. It is true that Canada's transformation was not as rapid, nor as certain and decisive as that of the United States. It is also true that the Canada of 1870 was a small and rather immature specimen of an industrial country. Nevertheless, Canada's economic integration; its diminished dependence on a single export, or a single market, and on foreign trade in general; the versatility of a labour force shifting from extensive to intensive forms of production; the bustle and variety of activities of its expanding cities; all these distinguish the 1870 economy from its staple-producing predecessor of a half-century before. (Pentland, 1981 [1960], 130-31)

In recent years, even dependency writers have moderated the emphasis placed on the role of staples in Canada's early development. One example is Watkins' (1997, 24) comment that the question of whether Canada "can...still be sensibly described as a staples economy...begs a prior question that must be frankly faced: to what extent does the emphasis on staples capture the totality of the Canadian growth experience from the beginning?" His answer seems to acknowledge that staples are less important as previously assumed. For example, he seems to accept Harris' (1987) criticism of Innis for ignoring the extent to which "much [early]...local growth escaped the [staples] net" (quoted in Watkins, 1997, 24). Harris points out that "Innis left out an enormous amount: the towns, except as nodal points in transportation systems; the countryside, except as it bore (as it rarely did) on export trades; and much of Canadian culture and society" (Harris, 1990, 370). Watkins writes that only two staples really "dominated" the economy of their day, fish and fur, i.e. those pre-dating extensive European settlement of Canada.

The other significant aspect of Watkins' comments concerns the nature of the differences between the various 'staples' in Canada's history. While his use of this term still ranges from 17th and 18th century products like beaver skins to industrially processed natural resources of the late 19th and early 20th century, he does emphasize an important distinction between these products. He notes that it is necessary to distinguish the earlier "staple trades" from the "staple industries" that developed later, like mining and newsprint production. He describes the latter as "industries proper", where surplus value is "appropriated in the customary, Marx-described manner" (Ibid., 25). In the former case, surplus value is extracted through unequal exchange.

In my opinion, these distinctions go a long way towards undermining the ambitions of the 'pessimistic' version of staples theory. This is especially true in terms of the nature and continuity in the influence of staples, which is at the heart of this interpretation of Canada's economic history. It is what leads Norcliff (1996, 25) to write that, "in its bare essentials, the mechanism of Canadian development [staple exports] has not changed in 500 years". After
discussing the development of secondary and tertiary sectors in Canada, Howlett and Ramesh (1992) similarly claim, "[T]his is not to say that the Canadian economy is now any less reliant on natural resource-based production to generate its wealth than it was in the past....This continued reliance...puts [Canada] at odds with the situation in many other large nation-states." Watkins writes, Canada is a "staples economy...[that became]...characterized by dependent industrialization" and "truncated development" (Watkins, 1997, 28; 30).

In short, I think that both the ‘qualitative’ and ‘quantitative’ importance of staples in the early development of industry Canada are exaggerated by dependency writers. The ‘pessimistic’ version of staples theory on which some dependency accounts rely is a one-sided approach that does not adequately acknowledge the scale of other economic activities during this period. Part of the reason for this failure is that its tendency to market and technological determinism prevents sufficient attention being paid to ‘social’ factors (e.g., class relations) as causal factors in history.

In the next part of this chapter, I turn to the differences on the relative scale and composition of manufacturing industry in Canada in recent decades. As in the earlier period, the two models of Canada frame this issue by their own conceptual approach, but I think that the empirical record can help clarify which model provides a more accurate understanding of Canada.

8.3 The current size and composition of manufacturing in Canada
This section reviews the empirical evidence about industrial development in recent decades, and its implication for Canada’s political-economic status. Most of the discussion here addresses the main point of difference between the two models: the difference between Canada’s industrial base and that in other advanced capitalist countries. In particular, I examine the degree to which these differences can be described as qualitative, and so that Canada should be placed in a different industrial category than the core imperialist countries.

The main problem in efforts to evaluate the relative size and composition of industry in Canada is that the classification systems used to collect economic data do not correspond well to the categories used by dependency writers, e.g., there are no official statistics collected on ‘staples’. I use the data that is available to approximate various aspects of ‘staples’ and manufacturing ‘development’. Each approximation addresses only part of what needs to be measured, but they help concretize these categories.

I first review the balance of GDP and exports accounted for by primary industries. The assumption is that primary products are a first approximation of ‘staples’, and that the relative size of the primary sector is an indication of the national specialization in ‘staples’. I then compare the relative size of manufacturing sectors, to indicate the extent of industrial development beyond ‘staple’ production. This is done by comparing the manufacturing share of GDP and manufacturing output per capita.

Of course, in addition to the scale of manufacturing, it is important to consider the kinds of goods produced and exported in this sector, i.e., the proportion of manufacturing that is part of ‘staples’ production and trade. The third issue considered is thus the balance of manufacturing
production in terms of the stage of processing, e.g., between ‘materials’, ‘intermediate goods’ and ‘final’ goods. In the case of trade, similar comparisons are made in the shares of ‘fabricated goods’ and ‘end-products’. The earlier stages of processing are assumed to approximate what Watkins (1997) calls “staple industries” and Norcliff (1996) calls “new staples”, i.e. resource-intensive products that are partially processed and largely destined for export markets. The latter stages of processing are assumed to represent the more highly processed and technologically advanced products traditionally associated with developed capitalist economies.

A fourth series of measures address the level of technology employed in Canadian industry, as this point is often emphasized by the dependency model as a further aspect of Canada’s industrial ‘underdevelopment’. Dependency writers argue that technological development tends to occur in ‘high-end’ industries, while Canada specializes in ‘low-end’ industries. Further, technology tends to be developed and first applied at head office locations, and many industrial corporations in Canada are headquartered outside the country.

8.3.1 The size of the primary sector
Dependency writers emphasize the degree to which Canada depends on primary sector natural resource products, especially for export. They consider this degree of resource specialization incompatible with an imperialist status. In contrast, the imperialist model of Canada emphasizes the decline in relative importance of this sector, and notes that some other advanced capitalist economies still retain significant primary sectors (Carroll, 1986, 22).

The primary sector share of production
Table 8.2 below compares the share of GDP composed of primary activities in a range of OECD countries in 1996, divided into two sub-sectors. The first point to make is simply the modest size of the primary sector in all these countries, including Canada. If staples were equated only with primary products would be hard to define any of them as a staple economy.

The share of agriculture/forestry/fishing/hunting sub-sector in Canada’s GDP was 2.3%. This rate is slightly lower than in France, Italy, the Netherlands, Spain and Denmark. When mining and quarrying is added, the resulting total primary sector share of GDP in Canada is 5.9%. This is higher than the Netherlands’ 5.7% and Denmark’s 4.4%; of the developed capitalist countries only Australia’s rate is higher. Perhaps the best comparison is between Canada and the US, whose primary sector share of GDP is 3.4%. There is a significant range in the relative size of primary sectors among advanced capitalist countries, but it is clear that Canada’s primary sector is one of the largest.

Table 8.14 shows that there was relatively little change in the primary sector share of GDP in Canada between 1984 and 1996, compared to an average decline of 2.7 percentage points for 11 of the 14 countries listed. It is difficult to obtain consistent data to compare the trends over longer periods, but data for Canada alone (using a slightly different definition of the primary sector) shows that between 1961 and 1996, this sector’s share of GDP declined substantially, from 12.14% to 7.21% (calculated from Statistics Canada, 2000c).
Table 8.14: The primary sector share of GDP, 1996 (%)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Primary sector (%)</th>
<th>Manufacturing sector (%)</th>
<th>Primary sector/Man. sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agric. hunting, forestry, fishing (1)</td>
<td>Mining and quarrying (2)</td>
<td>Total primary sector (1+2)</td>
</tr>
<tr>
<td>Canada</td>
<td>2.30</td>
<td>3.57</td>
<td>5.87</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.58</td>
<td>1.43</td>
<td>7.01</td>
</tr>
<tr>
<td>US</td>
<td>1.79</td>
<td>1.56</td>
<td>3.36</td>
</tr>
<tr>
<td>Japan</td>
<td>1.86</td>
<td>0.21</td>
<td>2.08</td>
</tr>
<tr>
<td>S. Korea</td>
<td>6.30</td>
<td>0.27</td>
<td>6.56</td>
</tr>
<tr>
<td>Australia</td>
<td>3.17</td>
<td>3.62</td>
<td>6.79</td>
</tr>
<tr>
<td>Denmark</td>
<td>3.62</td>
<td>0.75</td>
<td>4.36</td>
</tr>
<tr>
<td>France</td>
<td>2.32</td>
<td>0.43</td>
<td>2.75</td>
</tr>
<tr>
<td>Germany*</td>
<td>1.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy*</td>
<td>2.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.13</td>
<td>2.56</td>
<td>5.69</td>
</tr>
<tr>
<td>Spain**</td>
<td>3.15</td>
<td>0.49</td>
<td>3.64</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.98</td>
<td>0.27</td>
<td>2.25</td>
</tr>
<tr>
<td>UK***</td>
<td>1.65</td>
<td>2.14</td>
<td>3.78</td>
</tr>
<tr>
<td>Average (simple)</td>
<td>2.91</td>
<td>1.44</td>
<td>4.51</td>
</tr>
<tr>
<td>G7 ave. (simple)</td>
<td>1.97</td>
<td>3.57</td>
<td>5.54</td>
</tr>
</tbody>
</table>

* some mining included with manufacturing  ** 1985 and 1994  ***1984 and 1995  & excludes Germany and Italy  # excludes Germany and Mexico


Since tertiary activities account such a large majority of developed countries’ GDPs, a better measure of the relative importance of the primary sector is probably the ratio of the primary sector to the manufacturing sector. The OECD data in Table 8.14 shows that in 1996 the ratio of primary to manufacturing production was about two-fifths in Canada, compared to about one-fifth in the US, the UK, and Spain. The trend in the data for Canada since 1961 is similar to that noted above: the ratio of primary to manufacturing production has declined from about two-thirds in 1961 to about two-fifths in 1996 (Ibid.).

This data confirms that primary production is more important in Canada than most other advanced capitalist countries. The greatest contrast between Canada and other countries is provided by comparing Canada’s larger than average primary sector to its manufacturing sector, which, as will be discussed in the next section, is smaller than average. However, the balance of these sectors in Canada has shifted substantially in recent decades, and, in some respects, the relative importance of primary activities in Canada is not that different to other countries. The difference in the size of primary sectors in Canada and the US in 1996 was two and a half percentage points of GDP. This is a significant margin relative to the small share of GDP accounted for by primary production, but it is a small share of the economy as a whole.
Finally, it is worth noting that most of the difference is due to mining and smelting industries, and their industrial character is often more closely associated with manufacturing than primary products. For example, mining is grouped with manufacturing in the ‘industry’ category used by the World Competitiveness Yearbook to compare the structure of economies around the world. According to this source, ‘industry’ accounted for 27% of Canada’s GDP in 1997, slightly more than the 26% in the US (World Forum, 2000, 359).

The primary sector share of trade
The other important aspect of primary products as ‘staples’ is that, instead of being processed in the domestic economy, they are largely destined for export. Table 8.15 below compares the share of total merchandize exports accounted for by primary products. The definition of ‘primary’ in trade data is different than that for production data, mainly because trade data is expressed in terms of the industrial character of individual products, rather than in terms of the industrial classification of the firms producing these products. The trade category includes food, agricultural raw materials, fuels, ores and metals. In other words, it includes some manufactured food products and manufactured fuels and metals.

The difference between Canada and other advanced capitalist countries in the relative scale of primary exports is greater than for primary production. The average primary sector share of exports Canada in 1997 is 32%, while the average for the G7 is less than half that rate. It is worth noting that Canada’s export share of GDP is higher than in most countries, and so the large denominator in the primary product share of total exports in Canada disguises the absolute scale of primary products represented by the numerator. On the other hand, the Netherlands exports more of its GDP than Canada -- its goods trade accounted for 43.3% of GDP in 1997 vs. 33.4% in Canada (OECD, 1999b, 150). It could thus be argued that Netherlands relies on primary sector exports more than does Canada, since its primary product export share of GDP is slightly higher than in Canada (6.06%, vs. 5.34% for Canada; calculations from Ibid.).
Table 8.15: Primary product share of merchandise exports, 1997 (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Exports</th>
<th>Primary product share of total merchandise exports (%)</th>
<th>Manufact. share of total exports</th>
<th>Primary exports / Manufact. exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$US mil.</td>
<td>Food (1) Agric. raw mat. (2) Fuels (3) Ores and metals (4) Primary products 1+2+3+4</td>
<td>Change 1980-97 (% pts.) (%)</td>
<td>(1+2+3+4) / 5 (%)</td>
</tr>
<tr>
<td>Australia</td>
<td>56228</td>
<td>24 20 16 68</td>
<td>-5</td>
<td>29 234</td>
</tr>
<tr>
<td>Canada</td>
<td>211961</td>
<td>8 8 10 32</td>
<td>-19</td>
<td>63</td>
</tr>
<tr>
<td>France</td>
<td>282944</td>
<td>13 1 3 2</td>
<td>-7</td>
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In terms of the trends over time, Canada’s export specialization in primary products has been decreasing more rapidly since 1980 than most countries in Table 8.15. Of the developed capitalist countries, only the Netherlands’ decline has been greater.

In summary, Canada specializes in primary products more than do most developed countries, although this sector accounts for a small share of GDP and a minority of merchandise exports. The issue is whether the current differences are large enough to justify the qualitative distinction between Canada and other countries drawn by the dependency approach. While ‘peripheral’ economies like Mexico and India and Turkey have large primary sectors, it is Australia and New Zealand who lead the list in terms of primary exports in Table 8.15. Advanced capitalist countries like the Netherlands and even France are counterexamples to the suggestion that large primary sectors invariably reflect a failure of broad industrial development.

The other point to note is that Canada’s specialization in primary products and exports is decreasing. Despite the traditional emphasis in dependency models on the foreign and internal obstacles to developing a ‘normal’ developed capitalist economy, the significant decline in the
relative extent of Canada’s primary production and exports would appear to mark considerable ‘progress’. Canada is becoming more like other advanced capitalist countries.

8.3.2 The size of the manufacturing sector

While dependency writers continue to emphasize the extent of primary production and exports in Canada, their more important argument concerns the development of manufacturing in Canada. The corollary of their ‘over-development’ of staples sectors is an ‘under-development’ of manufacturing industry. Watkins (1997, 28) writes that, “[T]hough Canada is industrialized, industry is in important respects immature and the country remains a staple economy”. I will first discuss dependency views on the relative scale of the manufacturing sector as a whole. The scale of manufacturing provides a context for the discussion further below about the products and processes that characterize this sector.

The manufacturing share of GDP

Clement and Williams (1997, 54) argue that the “comparatively small share claimed by manufacturing in Canada’s gross domestic product” is evidence of “Canada’s performance deficiencies” in industrial development. The data they cite for 1989 lists Canada’s manufacturing share of GDP at 17.5%, compared to a range of 18.8% to 31.2% for the US, Sweden, Japan, and Germany (Ibid., 55). Similarly, while in Canada manufacturing employment accounted only for 14.6% of total civilian employment in 1992, the rates for other countries were 17% in the U.S., 18.9% in Sweden, and 24.4% and 30.4% respectively in Japan and Germany. They make the typical dependency argument that Canada’s “lower-than-normal” share of jobs in manufacturing “underscores the human cost of emphasizing resource production over trade in fully manufactured goods” (Ibid., 54).

But how different is Canada, and does a lower than average manufacturing share of GDP really indicate industrial underdevelopment, or result in greater “human costs”? A broader comparison of the share of GDP accounted for by value added in manufacturing is presented below in Table 8.16. The most reliable comparisons are for 1980-95, using data from the OECD’s STAN database, which adjusts the national data produced by each country to achieve more consistent definitions and coverage. Given the differences in national statistical methods, the earlier values for 1950 and 1960 should be interpreted cautiously. Data later than 1995 is not available from the specific STAN series on the manufacturing share of GDP, and so an estimate for 1997 was derived from other OECD data.

One obvious problem with Clement and Williams’ conclusion that Canada’s lower than average manufacturing share of GDP reflects “performance deficiencies” is that the manufacturing share of GDP in the U.S. (the greatest industrial power in the world) is also below the average for the OECD. The STAN data in Table 8.16 indicates that, in 1995, the difference in rates between Canada and the US was only 0.6 percentage points, and the estimate for 1997 puts the US rate slightly below that in Canada. In 1990, when Canadian manufacturing was depressed, the difference in its share of GDP in Canada and the US was almost 3%, but even this does not indicate a qualitative difference between their industrial structures.
Table 8.16: The manufacturing share of GDP, 1950-1997 (%)

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* W. Germany until 1990  ** Italy excluded in 1950, 1960 and 1950-95 and 1950-97


One of the reasons Canada and the US have similar manufacturing shares of GDP is that they are both relatively resource-rich and service-intensive economies. On the other hand, countries that lack natural resources or a highly developed service sector tend to exhibit large manufacturing shares of GDP. Japan’s rate here partly reflects the former characteristic and s. Korea’s the latter. The manufacturing share of GDP is thus not a very good measure of broader industrial development. Its equation with underdevelopment or dependency is also problematic given that
Netherlands and Denmark rank below Canada in this regard. Would they suffer fewer “human costs” if they specialized more in producing and exporting manufacturing goods, as the logic of the dependency model would lead us to believe?

Clement and Williams’ argument is also rather one-sided, in that most of the countries selected for comparison with Canada in 1989 are on the high end of OECD manufacturing shares of GDP. The 1989 average of the countries in Table 8.16 is 21.2%, or 4.3 percentage points more than Canada’s rate of 16.9%. This is a better comparison than the 14 percentage points that separated Canada from Germany or the 11 points from Japan. The suggestion that Canada is guilty of “performance deficiencies” unless it matches the most highly manufacturing-specialized economies in the world is arguably an example of fetishizing this sector.

I have suggested so far that the current manufacturing share of GDP in Canada cannot be convincingly associated with political-economic dependency. While they cite this measure to try to highlight the difference between Canada and other countries, Clements and Williams correctly note that it is not the best gauge of industrial development because it is necessary to also consider the balance of manufacturing devoted to resource-intensive and lower-order activities. Before addressing this point, however, I want to take up two other aspects of the relative scale of manufacturing as a whole. The first is the trend over time in the manufacturing share of GDP, and the second is what I will argue is a better measure of the industrial development, namely, manufacturing output per capita.

**Dependency predictions**

One of the most characteristics features of the dependency model of Canada is its ‘pessimism’ regarding Canada’s industrial prospects over time. Dependency writers continually voice dire predictions about how Canada is about to suffer from foreign-imposed restrictions on the kind of ‘normal’ industrial development that is apparently enjoyed by more independent capitalist countries. The assumption is that, without such restrictions, Canada could pursue the kind of ‘normal’ path of industrial development characteristic of the most advanced capitalist countries.

Three examples illustrate the long dependency record. The first is Communist Party of Canada leader’s Tim Buck’s early argument that the post-WW2 Canada-US Abbott Plan’s defense production and trade provisions would prevent broad-based industrial development in Canada. Buck (1948, 5) urged energetic opposition to this agreement because it would “hinge Canada’s economy increasingly upon the production of raw materials...and reduce the weight of finished goods in our national industry”.

Twenty-five years later, political economists in the Waffle faction popularized the dependency argument that Canada was being “de-industrialized” by US imperialism. Robert Laxer (1973, 9) placed this argument at the very center of left-nationalist perspectives:

> The theory of deindustrialization as a consequence of imperial dominance will have more practical consequences for the future of jobs, economic security, and quality of life for Canadians than any single other explanatory concept on the Canadian horizon.
The third illustration is provided by the many gloomy claims about the consequences of the FTA and NAFTA (the Canada-U.S. and North American Free Trade Agreements) and globalization more generally. Since dependency writers perceive manufacturing in Canada to be weak and 'truncated', they assumed it would be a major casualty of 'free' trade. Hurtig (1992, 24-25) wrote that, “instead of calling it the ‘Free Trade Agreement’ we should call it the ‘Deindustrialization of Canada Agreement’, for this indeed is what it is”. Discussing the effects of the FTA, Black (1992, 90) wrote of a “major relocation of 250,000 to 300,000 manufacturing jobs to the U.S., from Canada (mainly Ontario).” Merrett (1996, 85) similarly blames ‘free’ trade for “the accelerated deindustrialization of Canada” in the early 1990s.

The general point made by writers who consider Canada an imperialist country is that the trends in Canadian manufacturing are common to all advanced capitalist countries. Instead of focusing on this or that policy or agreement with foreigners (e.g., the Abbott Plan, FTA/NAFTA), the imperialist model takes up these issues in the framework of Canada’s competitive position as an imperialist country, however smaller than the US, its main ally and also main competitor. Writers who support this model have emphasized that, in some respects, Canada has performed ‘better’ than many of its advanced capitalist competitors in the world market. While in some periods Canadian capitalism has also lagged behind some other imperialist countries, they would argue this is for reasons other than those emphasized by dependency writers.

One example of this is Moore and Wells (1975) reply to James Laxer’s (1973a, 1973b) claim that the declining manufacturing share of GDP and the reduction in the number of manufacturing jobs in Canada was evidence of Canadian dependency. Moore and Wells (1975, 42) pointed out that the relative decline of manufacturing in Canada was “part of an international trend in the imperialist world”. Instead of Canada suffering a different and further degree of industrial decline resulting from its dependent status, Moore and Wells cited data that demonstrated the opposite was true. Over the previous decade the manufacturing sector in Canada had “outperformed” all leading industrial countries except Japan in terms of the growth in manufacturing output, employment and productivity (Ibid., 47).

Table 8.16 shows that the manufacturing share of GDP in a dozen advanced capitalist countries has continued to decline since the 1970s. Between 1980 and 1995, the average change in the manufacturing share of GDP was -3.2 percentage points, while in Canada there was no change. Between 1970 and 1995, Canada’s decline of 1.9 percentage points was considerably less than the 8.3 percentage points for all countries.223

What about the most recent round of negative predictions by dependency writers concerning the fate of manufacturing in Canada under the FTA and NAFTA? The manufacturing share of GDP is not a direct indication of the influence of 'free' trade, but it does partly express the relative 'health' of this sector. Between 1989 (the year 'free' trade went into effect) and 1995, the manufacturing share of GDP in Canada grew by one percentage point (and more to 1997, if the estimate for that year is correct). It also rose in other countries during this period, but the gap between Canada's rate and the average of other countries in Table 8.16 continued to narrow, from 4.3 in 1989 to 2.3 percentage points in 1997. In short, if capitalist countries are 'de-industrializing', this data suggests that this is less true of Canada than other countries, not more.224

240
'Real' manufacturing output and employment

Since the general decline in the manufacturing share of GDP in advanced capitalist economies might suggest that such a measure has become rather beside the point, it is worth noting that manufacturing output in these countries has continued to grow. This growth is particularly evident when measured in terms of physical production. Table 8.17 below shows that 'real' manufacturing output continues to expand in advanced capitalist countries. The OECD source for this data adjusts the nominal value of production by price indexes to account for both general prices (inflation), and, where available, individual industry prices. These totals are further adjusted by indexes expressing the physical volume of inputs (like watts of electricity) and outputs (like tons of steel). Although these estimates are imperfect, they provide another basis for comparing manufacturing in Canada and other countries.\textsuperscript{325}

Table 8.17 shows that over the two decades between 1977 and 1997, 'real' manufacturing production in Canada rose less than it did in the US and in all OECD countries, but it did rise more in Canada than in the EU countries. Manufacturing employment in Canada rose during this period, while it fell slightly in the US, and more so in the EU and OECD.\textsuperscript{326}

The figures for the period since 1988 (the year before 'free' trade was implemented) and 1997 show that Canadian 'real' manufacturing output grew at half the rate in the US and less than in the OECD as a whole. However, an argument against attributing the slower growth of manufacturing in Canada to 'free' trade is that the rate of growth in the EU was slightly less than in Canada. A similar argument against dependency claims about 'free' trade quoted above is that Canada's 3.7% decline in manufacturing employment between 1988 and 1997 is not very different than the 1.7% decline in the US, and it is significantly less than the average employment decline in both the EU and the OECD.
Table 8.17: ‘Real’ manufacturing production and employment, 1975-1997 (1990=100)

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<td>13.3</td>
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</table>

* 1996 instead of 1997

Source: calculated from OECD (1999d [Indicators of Industrial Activity, Paris: OECD]). The EU and OECD index numbers in this source appear to be weighted by the size of their member economies.

**Per capita manufacturing output**

I now turn to a measure that provides a better general index of general industrial development than the manufacturing share of GDP (and is subject to less uncertainty than the estimates of ‘real’ manufacturing production discussed above). The problem with the manufacturing share of GDP is that this measure fails to address relative levels of labour productivity. The same manufacturing share of GDP can describe a country with a large manufacturing sector with low productivity and one with a small manufacturing sector that is highly productive. Similarly, comparisons of the manufacturing share of the labour force miss something important when they do not consider how much these workers actually produce. Manufacturing production per capita reflects the general scale of the manufacturing sector. However, to the extent that the general productivity of labour in any country is associated with a manufacturing base, manufacturing 

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output per capita also distinguishes between economies with generally high and generally low labour productivity.

I will discuss two series that compare Canada with other countries in terms of per capita manufacturing output. The first is a historical series of estimates of industrialization around the world that provides a long-term perspective on Canada’s relative industrialization. The second uses national data for recent decades that has been adjusted by the OECD for greater consistency and reliability.

Table 8.18 below depicts the first series, the manufacturing output per capita and total manufacturing output in selected countries and regions around the world since 1750. The data for 1750 to 1980 are estimates by Bairoch (1982). The index numbers compare manufacturing in various countries over time with that in the UK in 1900 (i.e., UK in 1900=100). I have partially updated the comparison between countries to 1997, by applying OECD data against Bairoch’s index number for the UK in 1980. It should be stressed that OECD-derived numbers for 1980 and 1997 cannot be directly compared with Bairoch’s numbers for 1750 to 1980. Bairoch’s data are based on estimated changes in physical output, while the OECD data used to calculate the data after 1980 is based on the nominal value of production.

The OECD-sourced numbers for the year 1980 use the UK as the reference point to the Bairoch series, and it may be noted that the resulting extent of industrialization in various countries differs somewhat from Bairoch’s numbers for that year. The OECD-derived numbers permit comparisons between countries in 1997, and to relative changes between 1980 and 1997. However, the basis for extending the series after 1980 is not the same as for the period up to that year. Again, it is important to not interpret the OECD-source numbers as extending Bairoch’s series over time.
Table 8.18: Manufacturing output, 1750-1980 and 1980-1997 (UK in 1900=100)

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<th>Region/country</th>
<th>Manufacturing output per capita</th>
<th>OECD data</th>
<th>Manufacturing output</th>
</tr>
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<td>Estimate by Bairoch (1982)</td>
<td>OECD data</td>
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<td></td>
<td>UK in 1900=100</td>
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<td>Bairoch</td>
<td>OECD data</td>
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<tr>
<td></td>
<td></td>
<td>UK in 1980=325 value output</td>
<td>UK in 1980=441 value output</td>
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<tr>
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Sources: For 1750-1980, estimates by Bairoch (1982, pp. 281; 284; 331; country names generally apply to 20th century borders and numbers reflect estimates of physical production). For 1980-1997, calculations by author using OECD, 1998a (DSTI (STAN Industrial Database) and OECD, 1999d (Indicators of Industrial Activity; data is for the nominal value of production, expressed in terms of Bairoch's index value for US in 1980).
As Kellogg (1991) notes, Bairoch’s estimates of per capita industrial output challenge the dependency perception that, compared to other countries, Canada is industrially underdeveloped, or that this has been true at any time in the 20th century. According to Bairoch’s estimates of per capita industrialization, Canada ranked fourth in the world in 1980. As early as 1860 Canada ranked 17th in the world, rising to 8th in 1913 and even achieving 3rd place in 1953 (Bairoch, 1982, 286). Table 8.18 also shows the considerable development of Canada’s industrial base in absolute terms. By 1980 Canada’s industrial output ranked 10th in the world; 7th when Russia, China and India are excluded (Ibid., 284).

The OECD data for 1980 does not rank Canada in terms of per capita manufacturing output as highly as does Bairoch, although the rankings in terms of total manufacturing output are similar. Given the difficulties involved in calculating output in physical terms and the improvements in data sources in recent years, the OECD numbers probably offer a better comparison. Tables 8.7 and 8.8 below further detail the current value of total manufacturing output and output per capita between 1970 and 1997 based on the OECD’s STAN database.

Table 8.19 shows that, despite Canada’s lower-than-average specialization in manufacturing, in 1997 Canada still ranked 8th among 22 OECD countries in terms of total manufacturing output (s. Korea surpassed Canada in the value of total manufacturing output in 1990). Table 8.20 shows that Canada ranked a lower 16th place among these 22 OECD countries in terms of manufacturing output per capita. However, it may be noted that, in 1997, the per capita manufacturing output of G7 countries Italy, UK and France were, respectively, a modest 7%, 8% and 12% more than in Canada. Certainly, Canada cannot be compared to Mexico, with a manufacturing output per capita one-fifth of that in Canada. This country is also well ahead of Greece, Portugal, Spain, Australia and New Zealand. In 1996, Canada still led s. Korea in this measure of manufacturing development.
Table 8.19: Manufacturing output, 1970-1997 (current $US mil.)

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Percentage change over time (%):

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<th>Finland</th>
<th>France</th>
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<td>98431</td>
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OECD22 average**: 770271 **G7 average**: 79620

Source: Calculated from OECD, 1998a, STAN Industrial Database, Paris: OECD. ...
Table 8.20: Manufacturing output per capita, 1970-1997 (current $US)

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<th>Denmark</th>
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Percentage change over time (%):
Tables 8.7 and 8.8 show that Canada has lagged behind most OECD countries in terms of the growth in manufacturing output and output per capita in recent decades. For example, between 1970 and 1997, the rate of growth of these measures in Canada was substantially less than the average for either the OECD or G7 (note that this data adjusts totals according to the prevailing currency exchange rates, but not for inflation).

From the point of view of the imperialist model, this underlines the competitive difficulties that Canadian capitalists face in the world market. In contrast, the dependency model frames its explanation by foreign domination. However, since the dependency model focuses on US domination in particular, it is worth noting that, between 1970 and 1997, both manufacturing output and manufacturing output per capita in Canada grew a little faster than in the US (595% in Canada vs. 522% in the US, and 389% vs. 378%, respectively). Robert Laxer (1973, 25) wrote that the dependency analysis of a US-imposed de-industrialization of Canada would “receive the acid test” in the 1970s and 1980s. If we add the 1990s to this period, it would seem the test result is negative.

It is evident from Tables 8.7 and 8.8 that manufacturing growth in Canada has lagged behind other countries since 1989, when ‘free’ trade came into effect. Between 1989 and 1997, Canada had the lowest rate of growth in both the value of manufacturing output and output per capita among these countries (except that Italy’s growth in manufacturing output was less than in Canada). Dependency writers would interpret this as confirming their pessimistic predictions about the consequences of ‘free’ trade. However, given the dependency model’s exaggeration of the weakness and vulnerability of capitalist manufacturing in Canada compared to that in other advanced capitalist countries in the past, this model is arguably a poor point of departure for understanding trends in recent years. Instead, these trends should be analyzed in terms of Canada’s competitive position as an imperialist power whose position is weaker than most other members of the G7.

For example, when explaining layoffs and cutbacks in the half decade following ‘free’ trade more analytical and political weight should be given to the capitalist business cycle in explaining the job losses in the early 1990s in Canada, and less to the FTA. More attention should be given to why Canadian capitalists supported the government’s high interest rate policy, and less to unverifiable claims that this policy was imposed on Canada as a “secret” side-deal to the FTA. Discussions about jobs in Canada should not be framed by the nationalistic assumption that jobs lost in Canada were gained by workers in the US or Mexico. Labour, social and national movements in Canada may have limited the success of the ‘race to the bottom’ strategy for improving the competitive position of Canadian capitalists, possibly to a greater degree than is true of movements in the US. And so on.

8.3.3 The composition of manufacturing
With the context provided by the relative size of primary and manufacturing sectors, I now turn to what is probably the main element of the dependency thesis, the composition of manufacturing. I quoted Buck’s 1948 prediction above that the share of finished manufactured products in Canada’s exports would decline. Three decades later, Britton (1978, 45; 52) voiced similar concerns: “Canada is on the brink of surrendering any claims it may have possessed to be
a major producer of highly manufactured goods”. More recently, when discussing Canada’s manufacturing share of GDP, Williams and Clement (1997, 54; 58) argue that:

When interpreting the full extent of Canada’s performance deficiencies here, we must remember that a significant portion of Canada’s total manufacturing output comes from resource-based enterprises operating in the relatively low-technology wood and mineral sectors rather than from the medium- or high-technology producers characteristic of manufacturing in other industrial countries...Canada remains a mainly resource-producing industrial backwater in North America.

In contrast, writers who consider Canada an imperialist country argue that dependency writers exaggerate the differences between Canada and other advanced capitalist countries in terms of the composition of manufacturing. While there are differences in industrial specialization, they argue the trends in the composition of manufacturing production and exports over time show that Canada has not been prevented from developing along the same line as other developed countries. This includes exploiting similar technology as other industrial competitors.

Below I will focus on two general dimensions of the composition of manufacturing production and exports. The first is based on stage of processing involved, i.e., the degree to which manufacturing in Canada specializes in the initial stages of processing raw materials or ‘staples’ as opposed to final products. The second dimension is the level of technology employed. There is no direct measure of ‘technology’, but I will cite OECD data on rates of R&D as a measure of the effort to develop technology, and the OECD’s classification of industries by the level of ‘technology’ employed.

Manufacturing includes a number of stages of processing, from initial ‘working-up’ of natural resource products through various intermediate products to final demand products. There are several difficulties with the data available for comparing Canada and other countries in terms of the stages of processing. The first is that the ‘stages of processing’ logic only partly guides the classification systems used to report data on production and trade. The second is that the traditional classification system for production is different than that for trade. The third is that both systems have changed over time. Finally, comparisons between countries are complicated by the differences in the systems used in each country.

In trade data, manufacturing goods have been traditionally aggregated into two broad categories - ‘fabricated materials’ and finished ‘end products’ (also referred to as ‘articles’). Many ‘fabricated materials’ are the result of the first stages of processing of natural resources and so are an approximation of what dependency writers call ‘industrial staples’ (Watkins, 1997), or ‘new staples’ (Norcliff, 1996). For example, the first stages of manufacturing following primary extraction activities like logging and mining result in intermediate products like lumber and iron bars. These products are called ‘fabricated materials’ because they are destined for further manufacturing into finished ‘articles’ like furniture and machine tools.

When it comes to data on manufacturing output (rather than trade), the traditional classification system reflects the stage of processing less clearly. While a general division is made between primary and secondary industries, the sub-divisions of manufacturing are largely classified by the nature of the material and process involved (e.g., food and beverages; pulp and paper;
metals), rather than being divided according to whether they are processed further, i.e., are ‘materials’ or ‘articles’. These industries can be subdivided into progressively more detailed sub-industries but this does not yield exact equivalents to the trade classifications. In addition to the emphasis on the stage of processing, the lack of equivalence results from the fact that the unit for trade classification is the product, while for the production classification it is the industry.

In recent years, Canada and most other countries have replaced these traditional classification systems for production and trade by a single ‘harmonized’ system. However, the new classification system is even less oriented to the stage of processing than either previous system. For example, in the previous classification system for industrial production, logging (a primary activity), was distinguished from sawmills and paper mills (both secondary activities). The new system groups them both in the category of ‘forestry’. Similarly, the previous classification system for trade distinguished textiles (an intermediate ‘fabricated material’) from clothing (a finished ‘article’). Both are now grouped into a combined ‘textiles and textile articles’, and the new ‘apparel’ group does not cover the same products as the old ‘clothing or apparel’ category.

Three stages of manufacturing processing

As noted above, the industrial classification system for reporting production is not very helpful for efforts to evaluate the extent of ‘staple’ production within the manufacturing sector. I will instead use a recent study by Statistics Canada that aims to address “the concern that Canada is too dependent on natural resource outputs; that Canadians are “hewers of wood and drawers of water” (Cunningham and Zboril, 1997, xvii). It does this by dividing the traditional classification of manufacturing shipments in Canada into one of three general stages of processing -- first stage intermediate goods, second-stage intermediate goods and finished goods.

First stage intermediate goods are defined as products used to manufacture other intermediate goods. An example is polyester fiber, which is destined to be made into fabric. Other examples of first stage intermediate goods include benzene, wood pulp, and nickel ingots. Second stage intermediate goods are used primarily to manufacture finished goods, e.g., the polyester fabric destined to make clothing. Other examples are chemical fertilizers, paper, and iron pipes. The third category that composes the manufacturing sector is finished goods. These products are purchased and consumed rather than being further processed, e.g., the clothing made from polyester fabric. Other finished goods include pharmaceuticals, books and automobiles (Ibid., xviii).

This division of manufacturing production is derived from input-output tables for the Canadian economy. These tables detail the source and destination of shipments from each industry, making it possible to allocate those shipments between the three stages of processing. For example, of the “Other Non-metallic Mineral Products” category in the Standard Industrial Classification, 8.7% of the value of shipments were allocated to first-stage intermediate goods in 1981, 80.6% to second-stage intermediate goods, and 10.7% to finished goods (calculated from Statistics Canada, 1986c, 181).

If the ‘staple products’ or ‘staple industries’ within manufacturing can be defined in terms of the stage of processing, they are represented by first stage intermediate goods and some second stage intermediate goods. Cunningham and Zboril’s study shows that only 4.9% of manufacturing
shipments fell into the first category, and another 39.8% the second category (see Figure 8.19 below). More than half (55.4%) of all manufacturing shipments in Canada in 1996 fell into the finished goods category, that is, they are not further processed before sale to governments, business or individual consumers (Ibid., xx). On this basis, the study concludes that “the Canadian manufacturing sector is not predominated by low value-added, resource-based output” (Ibid., xxv).

333 If only first-stage intermediate goods within the manufacturing sector are considered staples, it would be hard to maintain the argument that Canada is a staple economy. As discussed above, the total primary production in Canada accounts for 5.7% of GDP. If the 0.9% of GDP that is accounted for by first stage intermediate products is added to the primary sector total, the combined ‘staples’ share of GDP would still be less than 7%. Of course, if most or all second-stage intermediate goods are considered ‘staples’, the staples argument would have more merit. However, even if all second-stage intermediate goods are added to primary sector goods, the resulting ‘staple’ share of GDP is still only about 14%.334

335 However, what proportion of these second-stage goods does it make sense to call ‘staples’? Many are the result of relatively high value-added and technologically sophisticated processes. Further, even the most highly industrialized countries, including those who do not have large primary sectors, produce large numbers of second-stage intermediate goods to supply their finished goods sectors.

If it was possible to obtain equivalent data that breaks down manufacturing by stage of processing in other countries, an average or typical share could be identified. Unfortunately, this data is not available for most countries, partly because there are no comprehensive input-output tables for these economies to guide the allocation of products on this basis. However, as Cunningham and Zboril (1997, xxii) note, certain comparisons are made possible by using an analogous series for the US produced by the Federal Reserve Board. In the US series, industrial production is grouped by market (i.e. by destination) into three categories: materials, intermediate products, and final products. The logic here is generally similar to that in the Canadian series on manufacturing stages of processing, though the categories are defined in different ways, and also cover the mining and utility sectors of the economy (the latter account for about 15% of the total (calculated from Federal Reserve, 2000).

In the US data, it is assumed that final products are purchased by consumers, business or governments for final use. Intermediate products are expected to be inputs in non-industrial sectors such as construction, agriculture and services. Materials are industrial goods requiring further processing within the industrial sector, such as consumer and equipment parts, semiconductors and circuit boards, basic metals, and textile, paper and chemical and primary energy materials.335 In this series, ‘materials’ accounted for 38.4% of total industrial value-added in the US in 1998, ‘intermediate products’ for 15.1% and ‘final products’ for 45.6% (Ibid.). When the non-manufacturing industries are removed from these totals, the proportions are about 31%, 15% and 54% respectively336 (see Figure 8.19).

Because of their different definition, the US results cannot be directly compared to those for the ‘first-stage intermediate goods’, ‘second-stage intermediate goods’ and ‘finished goods’ in
Canada. However, contrary to what might be expected on the basis of dependency assumptions about how manufacturing in Canada differs from other countries, the US data shows that the first two categories also account for a large proportion of the total in that economy. Similarly, 'finished goods' account for 55% of manufacturing shipments in Canada while 'final products' compose 54% of manufacturing value added in the US.  

Figure 8.19: Manufacturing by stage of processing, Canada 1996 and US 1998 (%)  

The trends over short periods in the various categories also offer some useful information. Cunningham and Zboril (1997, xx) show that the volatility of the earlier stages of processing in Canada is noticeably greater than for finished products. During the 1988-92 recession in Canada, the average decline in shipments for first stage goods was 36%, while for second stage goods it was 17% and for finished goods 7%. Second, they report that the volatility of earlier stages of processing in Canada was greater than in the US. Production of first- and second-stage intermediate goods in Canada between 1988 and 1992 declined more rapidly than material products and intermediate products in the US, but they also increased more rapidly from 1993 to 1996. This volatility of first stage intermediate products in Canada is consistent with this characteristic of staple products, and to a lesser extent, the same is true of second stage intermediate products.
Finally, Cunningham and Zboril (Ibid., xx) show that between 1988 and 1996, the finished goods share of manufacturing in Canada rose from 51.6% in 1988 to 55.4% in 1996. The share accounted for by second stage intermediate products declined from 41.2% to 39.8%, and for first stage intermediate goods, from 7.1% of manufacturing shipments to 4.9%. This contrasts somewhat with the pattern in the US, where the ‘material product’ share rose faster than ‘final products’ (the share of ‘intermediate products’ declined).\(^{338}\)

There are limits to direct comparisons between this data for Canada and the US. However, it does not seem there are very large or qualitative difference between the two economies in terms of the proportions of manufacturing devoted to final goods as opposed to earlier stages of processing. There are obvious differences in the definition of ‘first-stage’ and ‘second-stage goods’ as opposed to the ‘material products’ and ‘intermediate products’ in the US data, but the definition of ‘finished goods’ and ‘final products’ seems similar. The greater volatility that characterizes first stage manufacturing in Canada is consistent with the notion that these are resource-intensive products, for which demand is more variable than it is for other kind of products. However, comparisons with other countries are necessary to clarify what is different about Canada in this regard.

Finally, and again, the fact that the ‘finished goods’ share of manufacturing in Canada has grown since the advent of ‘free’ trade is partial evidence against the gloomy assumption by some dependency writers that ‘free’ trade would reinforce the ‘staple’ nature of Canada’s economy.

**8.3.4 The composition of manufacturing trade**

One defining feature of staples is that they are largely exported rather than processed in the domestic economy. Dependency writers have thus naturally focused on trade data when arguing that Canadian manufacturing is still largely oriented towards staple production. In their view, this staples specialization has prevented Canadian capitalism from developing the capacity to export highly manufactured and technologically sophisticated products. As discussed, the traditional classification system used to report trade data is also a little better suited to identifying ‘staples’ than the classification system for production.

A good example of the ‘dependency’ argument about the export capacity of industry in Canada is made by Glen Williams in Not for Export: Towards a Political Economy of Canada’s Arrested Industrialization (Williams, 1983). The title of this book nicely expresses Williams’ ‘dependency’ pessimism about the prospects for a well-rounded manufacturing sector in Canada. Williams does not root his discussion in staples specialization (his focus is on government policy), but he uses the share of manufacturing exports accounted for by ‘finished manufactures’ (the equivalent of the ‘finished goods’ or ‘final products’ discussed above) as a key indicator of Canada’s industrial development.

Before taking up Williams’ argument it is necessary to briefly discuss the traditional classification system used to report official data on trade. Like most other countries, the traditional Standard Commodity Classification (SCC) in Canada divides trade goods into five ‘sections’ as follows: I - Live animals; II - Food, feed, beverages and tobacco; III - Crude materials, inedible; IV - Fabricated materials, inedible; and V - End products, inedible. Most manufactured products fall under the ‘fabricated materials’ and ‘end products’ categories, and so
only they will be considered in this discussion. There are some manufactured products within the
‘Food, feed, beverages and tobacco’ category, but it is difficult to separate these out from the
primary sector farming and fishing products.\textsuperscript{340}

The most important limitation of this classification system is probably the wide range of goods
included in the ‘fabricated materials’ category, especially given that it accounts for a large share
of manufacturing exports from Canada. The forest products included under the fabricated goods
category illustrate this problem. Some result from relatively simple processes (e.g., turning logs
into railway ties), but others are high value-added and technology-intensive processes of
production (e.g., manufacturing fine paper). To gain a more precise picture of Canada’s
industrial development this category needs to be broken down in a similar fashion as the
Cunningham and Zboril study discussed above. ‘End products’ in the trade classification are
similar to the ‘finished goods’ in this study, but ‘fabricated materials’ are equivalent to a
combination of ‘first-stage’ and ‘second-stage intermediate goods’. It would be especially useful
if comparisons could be made with other countries, but the data for other countries is not
available. Most of this section will thus address the balance of trade products in terms of the
stage of processing without disaggregating the ‘fabricated goods’ category.

The ‘finished manufactures’ share of exports

Williams begins with Maisels’ (1963) division of countries around the world into industrial,
semi-industrial and non-industrial categories based on two criteria -- per capita manufacturing
output, and the share of total exports accounted for by finished manufacturing goods. Maisels
included Canada in the industrial category in 1955 because it ranked 6th among the 13 industrial
countries in per capita manufacturing output. He considered this more important than the fact
that Canada’s finished manufactures share of exports was lower than the other industrial
countries, 11% compared to an average 45% for this group (Maisels, 1963, 63, and calculations
from his data on p. 59).

Williams goes on the develop his analysis of Canada’s status on the basis of Maisels’ second
criteria alone, the finished manufactures share of total (merchandize) exports. (The ‘finished
manufactures’ category is similar to the ‘end-products’ discussed above.\textsuperscript{341}) He writes that “[N]ot
only is a high level of manufactured exports usually a feature of economic development, but
underdevelopment is often associated with an export structure dominated by primary products
and/or intermediate or semi-manufacturers” (Williams, 1983, 7). In his view, this measures
shows that “Canada’s participation in the keystone world trade in manufactures remains stalled
and Canada persists in its regional role as a resource-producing backwater of the North American
economy” (Williams, 1994, 25).

Quite apart from the fact that Williams reaches this conclusion without considering Maisels
second criteria (this criteria was discussed above, using Bairoch’s data), what does the evidence
concerning finished manufactures show? Williams updates Maisels’ data on the finished
manufactures share of exports to 1980, reporting that in Canada this ratio grew to 32% from its
1955 level of 11%. However, Canada’s 1980 rate was still significantly lower than the 50% to
71% range characterizing other industrial countries in 1980 (see Table 8.21 below).
Williams argues that that “from the perspectives of exports, it could be debated whether Canada more properly belongs among the semi-industrials” (Williams, 1983, 9). He writes that while an “optimist” might consider the threefold increase in this ratio from 11 to 32 percent a significant advance, this is “less significant than it appears for a number of reasons”. The two reasons he offers are that “most of Canada’s competitors have been pressing well ahead as well”, and that “direct comparisons between these two periods are suspect because of the peculiar effects of the Auto Pact” (Ibid.). I will first take up the comparison with other countries, and then return to Williams’ arguments about the Auto Pact.

*Trends over time:*

When comparing Canada to other countries two aspects are important to consider – the current share of exports relative to other countries, and the trends over time. Kellogg (1991, 83) points out that Williams’ account glosses over the fact that Canada’s rate grew faster than in other countries, i.e., Canada gained on these competitors. This failing is even more evident in the 1994 edition of William’s book, where he updates the data to 1990, but repeats the argument that other industrial countries were “pressing well ahead”. While the minimum rate of the other ‘industrial’ countries listed increased to 57% in 1990 (for France), Canada’s finished manufactures’ share of exports grew to 43% (Williams, 1994, 20), a faster rate of growth than the average for the ‘industrial’ countries.

In other words, Canada’s finished manufactures share of exports remain below the average for most highly industrialized countries. However, Williams fails to acknowledge the substantial ‘progress’ Canada achieved in terms of the very measure he considers an index of industrial success. Over the whole period between 1955 and 1990, Canada’s finished manufactures’ share of exports rose 32 percentage points compared to 16 point average for the ‘industrial’ countries listed (calculated from Williams, 1994, 20).
Table 8.21: Finished manufactures as a proportion of exports and imports (% of total)

<table>
<thead>
<tr>
<th>Country</th>
<th>Finished manufactures share of exports (%)</th>
<th>Share of imports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note: classification by Williams (1983; 1994)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'Industrial'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>31</td>
<td>43</td>
</tr>
<tr>
<td>Germany</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Great Britain</td>
<td>58</td>
<td>49</td>
</tr>
<tr>
<td>U.S.</td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>Sweden</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>France</td>
<td>44</td>
<td>47</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Italy</td>
<td>31</td>
<td>41</td>
</tr>
<tr>
<td>Average (simple)</td>
<td>32.38</td>
<td>38.88</td>
</tr>
<tr>
<td>'Semi-industrial'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Brazil</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Australia</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.4</td>
<td>14</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.4</td>
<td>7</td>
</tr>
<tr>
<td>'Non-industrial'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Philippines</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Egypt</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Zaire</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Burma</td>
<td>0.4</td>
<td>0.3</td>
</tr>
</tbody>
</table>


Unfortunately, I was not able to update the Williams’ series with more recent data, mainly because of the classification of sectors has changed over time. However, Table 8.22 below outlines the changes in composition of Canadian exports alone since 1971. The ‘end products, inedible’ category is similar to Williams’ ‘finished manufactures’ (their 1990 share of total exports are within a percentage point of each other). As can be seen, the trend in the end products share of Canada’s exports has continued, rising from 44% in 1990 to 52% in 1998. In contrast, the share of both crude materials and fabricated materials declined during this period when ‘free’ trade was in effect.
### Table 8.22: Canada’s merchandize exports by sector, 1946-1971 and 1971-1998 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>All exports ($ mil)</th>
<th>Primary products</th>
<th>Manufactured products</th>
<th>Other</th>
<th>To US</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Live animals</td>
<td>Food, feed, beverages and tobacco</td>
<td>Crude mat., inedible</td>
<td>Fabricated mat., inedible</td>
<td>Pass. autos and chassis</td>
</tr>
<tr>
<td>1946</td>
<td>2265</td>
<td>1.0</td>
<td>36.1</td>
<td>8.1</td>
<td>39.6</td>
</tr>
<tr>
<td>1950</td>
<td>3094</td>
<td>2.7</td>
<td>26.3</td>
<td>10.8</td>
<td>51.6</td>
</tr>
<tr>
<td>1955</td>
<td>4247</td>
<td>0.4</td>
<td>20.8</td>
<td>16.2</td>
<td>55.7</td>
</tr>
<tr>
<td>1960</td>
<td>5256</td>
<td>0.8</td>
<td>18.0</td>
<td>21.2</td>
<td>51.9</td>
</tr>
<tr>
<td>1965</td>
<td>8525</td>
<td>0.9</td>
<td>19.1</td>
<td>20.7</td>
<td>43.7</td>
</tr>
<tr>
<td>1970</td>
<td>16401</td>
<td>0.4</td>
<td>11.0</td>
<td>18.8</td>
<td>35.8</td>
</tr>
<tr>
<td>1971</td>
<td>17397</td>
<td>0.4</td>
<td>11.8</td>
<td>18.8</td>
<td>33.3</td>
</tr>
<tr>
<td>1971</td>
<td>17782</td>
<td>0.4</td>
<td>11.6</td>
<td>5.0</td>
<td>18.5</td>
</tr>
<tr>
<td>1972</td>
<td>20222</td>
<td>0.4</td>
<td>11.4</td>
<td>4.9</td>
<td>17.8</td>
</tr>
<tr>
<td>1975</td>
<td>33616</td>
<td>0.3</td>
<td>12.2</td>
<td>6.4</td>
<td>23.8</td>
</tr>
<tr>
<td>1980</td>
<td>76681</td>
<td>0.3</td>
<td>10.5</td>
<td>5.2</td>
<td>19.3</td>
</tr>
<tr>
<td>1985</td>
<td>119061</td>
<td>0.4</td>
<td>7.8</td>
<td>3.3</td>
<td>16.1</td>
</tr>
<tr>
<td>1986</td>
<td>125172</td>
<td>0.3</td>
<td>7.6</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>1987</td>
<td>131484</td>
<td>0.3</td>
<td>7.9</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>1988</td>
<td>143534</td>
<td>0.4</td>
<td>7.4</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>1989</td>
<td>146963</td>
<td>0.4</td>
<td>6.6</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>1990</td>
<td>152056</td>
<td>0.6</td>
<td>7.4</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>1991</td>
<td>147669</td>
<td>0.6</td>
<td>7.5</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>1992</td>
<td>163464</td>
<td>0.8</td>
<td>7.9</td>
<td>1.7</td>
<td>2.4</td>
</tr>
<tr>
<td>1993</td>
<td>190213</td>
<td>0.7</td>
<td>7.0</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>1994</td>
<td>228167</td>
<td>0.6</td>
<td>6.5</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>1995</td>
<td>265334</td>
<td>0.6</td>
<td>6.4</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>1996</td>
<td>279892</td>
<td>0.7</td>
<td>6.7</td>
<td>1.2</td>
<td>1.7</td>
</tr>
<tr>
<td>1997</td>
<td>301381</td>
<td>0.6</td>
<td>6.8</td>
<td>1.2</td>
<td>1.7</td>
</tr>
<tr>
<td>1998</td>
<td>322262</td>
<td>0.6</td>
<td>6.2</td>
<td>1.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>

**Percent changes over time (%):**

| 1988-1998 | 40.3 | -16.2 | -42.1 | -54.0 | -25.0 | -19.4 | 26.9 | 17.1 | -20.9 | -12.1 | 96.6 | 228.5 | -42.7 | 14.0 |
| 1971-1998 | 60.8 | -46.6 | -26.8 | -76.9 | -49.7 | -16.9 | 43.3 | 14.1 | 13.0 | -18.3 | 126.1 | 862.3 | -382 | 23.2 |
| 1946-1998 | -39.6 | -82.9 |        |        |        |        |        |        |        |        |        | 1203 | 115.7 |

Thus, the trend towards more end-product exports continues. At the same time, this category does continue to account for a smaller share of Canada’s exports than in other advanced capitalist countries. When evaluating the significance of this point, however, it may be noted that Canada exports one of the larger shares of GDP among OECD countries. As Kellogg (1991, 95) points out, this large export denominator tends to disguise the scale of the finished manufacturing exports in the numerator. When end products are expressed as a share of GDP rather than as a share of exports, the contrast between Canada and other countries is less obvious.

As Table 8.23 shows, finished manufactured exports in 1989-90 composed a larger share of Canada’s GDP than in France, Japan or the US. The US and Japan are, of course, large economies with lower rates of trade than most countries. This comparison is thus not the most apt, but it helps to highlight the problem with conclusions based on the rate of finished manufactures as an index of industrial development. After all, what kind of “arrested industrialization” (from the title of Williams book) is able to generate more of its GDP by exporting finished manufactures than Japan?

Table 8.23: Finished manufactures’ share of GDP (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Goods and services exports share of GDP, 1989, %</th>
<th>Finished manufactures share of exports, 1990, %</th>
<th>1990 finished manufactures’ share of 1989 GDP, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>32.5</td>
<td>59</td>
<td>19.2</td>
</tr>
<tr>
<td>Germany</td>
<td>31.2</td>
<td>68</td>
<td>21.2</td>
</tr>
<tr>
<td>Canada</td>
<td>25.2</td>
<td>43</td>
<td>10.8</td>
</tr>
<tr>
<td>U.K.</td>
<td>24.2</td>
<td>63</td>
<td>15.3</td>
</tr>
<tr>
<td>Italy</td>
<td>20.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>11.2</td>
<td>83</td>
<td>9.3</td>
</tr>
<tr>
<td>France</td>
<td>17.5</td>
<td>57</td>
<td>9.9</td>
</tr>
<tr>
<td>U.S.</td>
<td>9.4</td>
<td>62</td>
<td>5.8</td>
</tr>
<tr>
<td>Average (simple)</td>
<td>23.65</td>
<td>62.14</td>
<td>14.5</td>
</tr>
</tbody>
</table>


The “Auto Pact effect:”

I now return to Williams’ other objection to an ‘optimistic’ appraisal of the trend in the finished manufactures’ share of exports in Canada. He argued that a “direct comparisons between these two periods [1955 and 1980] are suspect because of the peculiar effects of the Auto Pact” (Williams, 1983, 9). The 1965 Auto Pact agreement between Canada and the U.S. eliminated tariffs in auto sector trade, and required that the U.S.-owned auto companies in Canada assemble at least three-quarters as many autos as they sold in Canada. Most of the auto industry in Canada is owned by U.S. corporations, and it has become highly integrated on a continental scale.

Williams argues that, “Canada-U.S. automotive trade tells us little positive about the capacity of Canadian industry to be internationally competitive as an industrial exporter because it is for the most part composed of intra-firm transfers of goods that incidentally pass over an international frontier (Williams, 1983, 10).” He suggests that, “[F]or the purposes of our inquiry, a strong case can be made for excluding Auto Pact exchanges from Canada’s external trade picture” (Ibid, 9). Other dependency writers, like Britton and Gilmour (1978, 42), Phillips and Watson
(1984, 41) and Clement and Williams (1989, 45) have similarly excluded the auto sector when analyzing the structure of Canada’s manufacturing exports.

After removing the auto sector from the finished manufacture’s share of total exports, Williams reports this ratio was only 27% in 1990 instead of 43% when this sector is included. In 1980, these ratios were 22% and 32% respectively. In the 1983 edition of his book Williams described the 22% rate in 1980 as leaving Canada “squarely in the company of Brazil and India” in this “rough indicator of a nation’s ability to compete industrially within the world economy” (Williams, 1983, 10). The 1994 edition of the book removes the reference to Brazil and India, but it describes the 27% rate in 1990 as representing a “meager advance” over the rate a decade before (Williams, 1994, 22).

The first objection to this conclusion is the same as raised above, that it downplays the significant ‘improvement’ in the very measure used to judge industrial performance. Even with autos removed, the end product share of Canada’s exports increased, it increased by more than the average increase for auto industry exports from Canada, and more than the end-product exports of the other industrial countries cited by Williams. What greater improvement is required to constitute success?

The more significant objection concerns the suggestion that these are not ‘real’ exports. This is obviously a central issue, since auto-related industries now account for about half of the manufacturing sector in Canada and a quarter of manufacturing exports. If the auto sector is excluded from end products, the resulting share of exports in 1998 was the same 27% as in 1990, rather than the 52% when auto exports are included (calculations from Table 8.22).

What are Williams’ reasons for excluding half of Canada’s end product exports when comparing this country to other industrial exporters? He argues that trade in autos “may mean nothing more than the exchange of vehicles of different sizes, models or colors from a Canadian subsidiary to its U.S. parent company” (Williams, 1994, 22). However, the reason that different sizes and models of vehicles are traded (or the parts for these vehicles) is that they are different products produced by different kinds of plants which are located in different countries. This kind of specialization and functional integration on a continental, and even global level is hardly an aberration; it is increasingly the norm. The auto sector may be an advanced example of this process, but this does not take away from the fact that this production is part of the manufacturing sector in Canada. It reflects how similar this sector is to that in the US, e.g., that Canadian plants are not confined to early stages of processing. As the OECD catalogue that analyzes manufacturing performance reports, intra-industry trade “typically occurs among rich countries with similar levels of development which are geographically close” (OECD, 1999b, 64.)

A related argument is that the trade takes place between branches of the same corporation, and that these corporations are foreign-controlled. Again, a considerable portion of world trade takes place on this basis (and always has, including in the auto sectors of other countries). If Williams’ logic applies, comparisons with other countries should also excise foreign-controlled inter-firm trade from their totals. Similarly, if auto exports are removed so presumably should auto imports. Williams fails to extend his logic along either of these lines.
The logic of excluding the auto sector also fails to acknowledge that not all sub-sectors of this industry are owned by the auto ‘majors’. Kellogg (1991, 87-88) notes that foreign intra-firm trade largely applies to the first and third largest auto sub-sectors, ‘Passenger automobiles and chassis’ and ‘trucks, truck tractors and chassis’. It is less true of the second largest auto sub-sector, ‘auto parts’ and other substantial sub-sectors, like ‘other motor vehicles’ and ‘other transportation equipment’. Removing the auto sector from Canadian trade in effect eliminates some of the largest Canadian-owned manufacturing corporations, like Magna Ltd. (the third largest auto parts manufacturer in North America), and Bombardier Ltd., (a world-class exporter of transportation products).  

More broadly, as Kellogg (1991, 90-93) emphasizes, excluding the auto sector from Canadian trade fails to acknowledge the intimate connection of these plants to other industries and other places in Canada. Holmes (1996, 230) writes that “[T]he automobile industry…is the backbone for many other Canadian manufacturing sectors, including steel, rubber, plastics, aluminum and glass.” When the auto industry is set aside, so are the linkages to all these industries. In effect, this approach ignores industrial centers like Oakville, Windsor, Hamilton and Sarnia. According to this backward logic, perhaps ‘staple’ places like Kitimat and Arvida should also be ignored, because one of Canada’s specialties within the auto sector is parts made with this energy-intensive metal.

In summary, finished manufactures or end products make up a smaller share of Canada’s exports than in other developed countries, but the argument that this is evidence of dependency is weak. In recent decades Canada has increased this share of exports more than have other developed countries, and the argument for removing the auto industry during such comparisons is flawed. The one-sided approach that Williams takes to these issues is also highlighted by the fact that, relative to the economy as a whole, Canada exports more end products than super-industrialized Japan.

The balance of trade in end-products
I will take up one more example of the dependency analysis of the composition of merchandise trade. Until now only exports have been discussed, and imports should also be considered. Norcliff (1996) notes that the general pattern of Canadian trade is that net exports of crude and fabricated materials exceed net imports of end products, resulting in a surplus in the merchandise trade account. However, non-merchandise trade is usually in deficit, notably in the areas of business services and investment income. Norcliff writes that, “the surplus in the trade of such a key staple as wheat, long a cornerstone of Canadian trade, is now matched by the deficit in business services”. For him, the “truly troubling part” of non-merchandise trade was the growing deficit in investment income, to the extent that, “[T]he deficit on investment income cancels out the trade surplus of Canada’s single biggest export staple - that of forest products” (Ibid., 35-36). In his view, this pattern indicates that “the new staple economy…is placing critical limitations on Canada’s economic development” (Ibid., 26).

However, Norcliff’s analysis, like Williams’, fails to acknowledge the actual developments in trade during the period considered. While he emphasizes Canada’s ongoing dependence on staple exports, his data shows that the share of trade accounted for by non-end products declined
over this period (see Table 8.24). While the dollar value of these exports almost tripled between 1978 and 1993, their share of total merchandise exports declined from 63.7% to 52% (calculations from Norcliff, 1996, 33).

Similarly, Norcliff’s reference to “Canada’s burgeoning deficit in its trade of end products” (Ibid., 38) is not a good description of the trends during this period. The dollar value of this deficit (exports of end products less imports of end products) more than doubled between 1978 and 1993, but as a share of total merchandise trade (imports plus exports) the end-product deficit declined from 25% to 16% (calculations from Ibid.). During this time, end product exports grew faster than end product imports, thus reducing the end-product deficit. In any comparisons of this kind over time, it is relative terms that are arguably most relevant.
Table 8.24: Canada's merchandize trade, 1978 and 1993

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>Exports</th>
<th></th>
<th>Imports</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% $ mil.</td>
<td>% $ mil.</td>
<td>% $ mil.</td>
<td>% $ mil.</td>
<td>% $ mil.</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------</td>
<td>---</td>
<td>---------</td>
<td>---</td>
</tr>
<tr>
<td>Food, inc. fish, wheat, bev, tob.</td>
<td>10.2</td>
<td>7.7</td>
<td>13.610</td>
<td>7.6</td>
</tr>
<tr>
<td>Minerals and petroleum</td>
<td>17.0</td>
<td>12.2</td>
<td>21.564</td>
<td>11.8</td>
</tr>
<tr>
<td>Fabricated materials</td>
<td>36.5</td>
<td>32.1</td>
<td>56.739</td>
<td>17.6</td>
</tr>
<tr>
<td>Total, non-end products</td>
<td>63.7</td>
<td>52.0</td>
<td>91.914</td>
<td>37</td>
</tr>
<tr>
<td>End products</td>
<td>35.9</td>
<td>46.9</td>
<td>82.899</td>
<td>62</td>
</tr>
<tr>
<td>Special transactions</td>
<td>0.3</td>
<td>1.2</td>
<td>2.121</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>176.757</td>
<td>100</td>
</tr>
<tr>
<td>Balance of Trade (exports-imports)</td>
<td></td>
<td></td>
<td>Change in B.O.T.</td>
<td></td>
</tr>
<tr>
<td>% $ mil.</td>
<td>% $ mil.</td>
<td>% pt.</td>
<td>% $ mil.</td>
<td>%</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------</td>
<td>---</td>
<td>---------</td>
<td>---</td>
</tr>
<tr>
<td>Food, fish, wheat, bev, tob.</td>
<td>2.6</td>
<td>2.2</td>
<td>4.290</td>
<td>-0.4</td>
</tr>
<tr>
<td>Minerals and petroleum</td>
<td>5.2</td>
<td>6.9</td>
<td>12.583</td>
<td>1.7</td>
</tr>
<tr>
<td>Fabricated materials</td>
<td>18.9</td>
<td>13.3</td>
<td>24.881</td>
<td>-5.6</td>
</tr>
<tr>
<td>Total, non-end products</td>
<td>26.7</td>
<td>22.4</td>
<td>41.753</td>
<td>-4.3</td>
</tr>
<tr>
<td>End products</td>
<td>-26.0</td>
<td>-20</td>
<td>-31.148</td>
<td>5.7</td>
</tr>
<tr>
<td>Special transactions</td>
<td>-0.7</td>
<td>-1.4</td>
<td>-22.85</td>
<td>-0.7</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>72.97</td>
<td>5.316</td>
</tr>
</tbody>
</table>

Kellogg (1991, 110) argues that the failure to acknowledge the actual trends in the composition of Canada’s trade is one of the most revealing features of the dependency model of Canada. Canadian industrial dependence continues to be described in terms of large ‘staple’ exports on the one side and large manufacturing end-product imports on the other, but both have long been declining in relative importance. Table 8.22 above shows that since 1946 the share of exports accounted for by ‘staples’ (very broadly defined as all non-end products, i.e., primary products plus crude and fabricated materials, i.e., all non end-products), has fallen from 85% of merchandize exports to 46% in 1998, while end products have risen from 15% to 52%. Table 8.25 below reports on the equivalent trends in terms of imports to Canada. The share of imports composed of end products rose from 35% in 1946 to 67% in 1998. In other words, there has been a general growth in the end product share of trade, but exports of end products from Canada have grown faster than imports of end products to Canada.
Table 8.25: Canada's merchandise imports by sector, 1946-1971 and 1971-1998 (%)

<table>
<thead>
<tr>
<th>Year</th>
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<th>Percent share of total imports</th>
<th>Other</th>
<th>To US</th>
</tr>
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<td>Fish, all forms</td>
<td>Wheat incl. flour</td>
<td>Crude mat., inedible</td>
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<td>5.7</td>
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<td>1994</td>
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<td>0.1</td>
<td>5.6</td>
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<td>1996</td>
<td>237917</td>
<td>0.1</td>
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<tr>
<td>1997</td>
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<td>0.1</td>
<td>5.2</td>
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<tr>
<td>1998</td>
<td>303400</td>
<td>0.1</td>
<td>5.2</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Percentage change over time (%)

| 1988-1998 | -10.1 | 0.9 | -22.5 | 3.0 | 1.3 | -35.8 | -1.8 | 17.1 | 5.6 | 33.1 | -29.9 | 10.5 |
| 1971-1998 | -69.8 | -28.3 | -52.4 | -5.3 | 4.6 | -31.7 | -12.4 | 7.3 | 18.7 | 90.1 | -191 | 9.9 |
| 1946-1998 | -52.5 | -63.0 | -81.6 | -27.0 | 90.9 | 65.9 | 2.3 |

This analysis can be pursued a little further by examining the trends within end products. The rise in the end product share of exports is largely due to the non-auto products within this category. Between 1971 and 1998, the share of exports accounted for by non-auto end products rose from 12.3% to 26.6%, while auto sector end products rose from 24.2% to 25.8%. On the imports side, the auto sector share of imports rose from 19.1% to 24.1%, while non-auto end product imports declined from 44.8% to 42.7% (calculations from Statistics Canada, 2001c).

I also suggested it would help discussions about the composition of trade to disaggregate the ‘fabricated materials, inedible’ grouping of manufactured products into earlier and later stages of processing, or lower- and higher-value processes of production. Norcliff (1996, 32) describes these products as “staples”, but the Statistics Canada manual describing this category notes that some “are the products of highly sophisticated industrial processes” (Statistics Canada, 1973b, 5). Some of these products should probably be grouped with end products. While it is very difficult to disaggregate the “fabricated materials, inedible” grouping along these lines, we can see the impact of this desegregation by comparing their grouping with end products (or ‘end products plus’), and with non-end products (or ‘staples plus’).

The fabricated materials share of exports declined from 40% to 28% between 1946 and 1998, while their share of imports declined from 27% to 20% (calculations from Statistics Canada, 2001c). If grouped with non-end products, the resulting ‘staples-plus’ share of exports declined from 85% to 38%, while this share of imports declined from 64% to 29%. Alternatively, if fabricated materials are grouped with end products, the resulting ‘end products plus’ share of exports increased from 55% to 80%, and the imports share increased from 62% to 87% (Ibid.). The point is that both combinations show that Canada has been moving up the ‘value-chain’ of manufacturing production. The ‘staples-plus’ share of exports declined substantially, and the ‘end product plus’ share of exports grew a little faster than its share of imports.

I think that Kellogg (1991, 110) is quite right to suggest that these trends in the composition of Canada’s merchandize trade raise a “prima facie case” against the dependency analysis of manufacturing development in Canada. As he writes, the trend in Canada’s trade in end products, ...is not a sign of structural weakness in manufacturing, but a sign of positive strengths. This is not a sign of end product imports blocking the export of finished manufactures, but the sign of an economy that has used end product imports to build up an infrastructure that has strengthened its ability to export finished manufactured goods to the world. (Ibid.)

The most recent test of the two approaches is what has occurred since ‘free’ trade with the US took effect. Between 1988 and 1998, the share of end-product exports from Canada grew significantly from 41% to 52%, more than the share of end-product imports, which rose modestly from 66% to 68%. Again, if judged by the very criteria suggested by dependency writers, it would seem that ‘free’ trade has been ‘positive’ for Canada’s industrial development.

**8.3.5 The level of technology in manufacturing**

The final indication of what kind of manufacturing is carried out in Canada that I will consider is the level of technology. One of the most frequent suggestions by dependency writers is that the failure to develop a large domestically owned manufacturing base in Canada is linked to a poor
record of technological development. For example, it is often noted that Canada is a ‘branch plant’ economy that relies on second-hand technology developed and first applied in plants closer to parent corporation headquarters in the United States or other foreign countries. This was a central concern of the Watkins Report (Canada, 1968) and other documents that popularized nationalist economic policies in the late 1960s and 1970s. It was a key aspect of the influential analysis for the Science Council of Canada by Britton and Gilmour (1978, 59) that characterized Canada as “generally industrially backward”.

The imperialist model of Canada assumes that Canada is generally comparable to other industrial countries in terms of the application of industrial technology. In this model, foreign ownership of industry is not thought to have significantly ‘penalized’ Canadian capitalism. It also does not share the dependency assumption that extracting and processing natural resources is generally a ‘low-technology’ activity.

I will first look at various measures of the effort of develop new technology (i.e., research and development; R&D), and then consider the composition of manufacturing in terms of how technology is applied. It is difficult to quantify these points, but recent OECD data is much better than any available in the past. I will argue this data shows Canada in a better light than is often thought. In addition, I think other measures of the level of technology in use would probably portray Canada in an even better light than the approach emphasized by the OECD.

As in previous sections, the evidence below shows that Canada usually ranks below most leading industrial countries. The question is the significance of these differences. Of course, in a framework of capitalist competition, even modest differences in the development and use of advanced technology can be significant. However, the comparisons below address a different question, whether they are significant in the sense of Canada’s general political-economic status.

Research and development
In Britton et al.’s (1996, 437) evaluation of Canada’s industrial status, they reports that, “Canadian firms generally undertake about one-third to one-half as much R&D (as a percentage of sales) as international competitors”. I think this statement reflects a widespread tendency to exaggerate the difference between Canada and other countries. A whole series of OECD measures suggests that Canada ranks within the lower-middle ranges of OECD countries in terms of rates of R&D. Of 28 OECD countries in 1999, Canada ranked 16th in the ratio of total domestic expenditures on R&D to GDP (1.61%, compared to the OECD average of 2.23% and the European Union at 1.81%).\(^{359}\) Canada’s rate was 6th among the G7 countries (i.e., ahead of Italy). It is also important to note that in terms of absolute expenditures on research and development, Canada ranked 8th in the OECD (OECD, 2000, 29).

In the business sector\(^ {360}\) alone, the ratio of R&D by business enterprises to their domestic product was 1.54% in the OECD and 1.15% in EU countries, compared to 1.01% in Canada.\(^ {361}\) Canada’s rate was again higher than one G7 country, Italy (Ibid.). In manufacturing alone, the 1997 ratio of business enterprise R&D expenditures to value added in manufacturing was 3.7% in Canada, compared to 5.3% in the EU-9, and 6.6% in the OECD-14 in 1995 (Ibid., 246-47). These numbers record a substantial difference between Canada and the leading industrial countries but describing Canada’s position as “one-third to one-half” of its competitors is too ‘pessimistic’.
The trend in R&D expenditures is also relevant, and the OECD shows that R&D expenditures in Canada have been rising more quickly than most countries in recent years. The 1990 ratio of business R&D to value added in Canada was 3.4%, in the EU-9 it was 5.2% and 6.8% in the OECD-14. The corresponding rates in 1997 rose to 3.7% in Canada, remained at 5.2% in the EU-9, and declined to 6.6% in the OECD-14 (OECD, 1999b, 141). The OECD also notes that when the changes in R&D intensity between 1990 and 1997 are broken down to account for the effect of industrial structure, the improvement in Canada’s relative position results from both a larger-than-average growth in R&D in high technology industries, and a larger-than-average growth in the value-added of those industries (Ibid., 143).

Before going on to consider the application of technology it is also useful to put the lower-than-average rate of industrial R&D in Canada in the broader context of what the OECD calls investment in ‘knowledge’. Canada ranks higher in this measure than in industrial R&D. Expressed as a percentage of GDP, investment in ‘knowledge’ was 8.8% in Canada in 1995, more than the average in OECD, the EU and G7 countries (Ibid., 114). Canada is also one of the top investors in the world in information and communication technologies (ICT), which are often touted as a leading source of broader productivity growth. The OECD reports that expenditures on ICT (defined as information technology hardware, services and software, and telecommunications) amounted to 7.5% of Canada’s GDP in 1997, the 3rd highest among G7 countries and 7th in the OECD (Ibid., 116).

Finally, the OECD compares the relative importance of what it calls “knowledge-based” industries, defined as “intensive users” of “high technology”, or that require a relatively highly skilled workforce. In addition to the ‘high-technology’ and ‘medium-high-technology manufacturing sectors (which will be discussed in more detail below), this group includes communications, finance, insurance, real estate, business services, community and social services, and personal services. These “knowledge-based” sectors accounted for 56% of the value added in the business sector of the Canadian economy in 1997, the 8th highest of 22 OECD countries whose average was 45% (OECD, 2000, 220).

The OECD data confirms that corporations in Canada invest less in industrial R&D than in most leading OECD countries. However, the differences here are smaller than often suggested, they have declined in recent years, and most measures place Canada higher than one other member of the G7, Italy. Finally, Canada has higher-than-average rates of investment in broader determinants of technology like education and information technology.

‘High-technology’ manufacturing output and trade
Instead of focusing on the efforts to develop new technology within Canada, I want to now focus on the use or application of technology. I will also only consider the manufacturing sector, because it is the most relevant to this discussion. One reason to look at the technology in use rather than investment in research and development is that the former includes technology transferred from other countries. It is widely recognized that a common technological strategy by Canadian corporations has been to adopt and adapt ‘foreign’ technology (Science Council of Canada, 1992). Niosi notes that corporations in Canada have been very successful in the adopt/adapt approach, because of the cultural and/or geographical proximity of Canada to the
United States and other leading counties. He argues this strategy may be different than that of capitalists in other countries, but “it is a very rational and indeed increasingly common way to make profits in a very imperfect technological market” (Niosi, 1983, 132).

The OECD has produced comparative data dividing manufacturing industries into four categories -- high-technology, medium-high technology, medium-low technology and low-technology manufacturing industries. A combination of three ratios is used to allocate industries to these groups -- R&D expenditures/value added; R&D expenditures/production; and R&D expenditures plus technology embodied in the intermediate and investment goods used in those industries/value added (OECD, 1997c, 109). Table 8.26 outlines the OECD typology of industries by level of technology, which is based on data for 10 countries in 1990 (the G7 plus Australia, the Netherlands and Denmark). A similar typology exists for trade products (see Hatzichronoglou, 1997).
Table 8.26: OECD classification of manufacturing industries by level of technology

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<td>8.35</td>
<td>18.43</td>
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<td>3.61</td>
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<td>8.85</td>
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<td>commun. equip.</td>
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<td>3.20</td>
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<td>Non-electrical machinery</td>
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<td>Rubber &amp; plastic products</td>
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<td>Non-metallic mineral products</td>
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<td>0.51</td>
<td>1.10</td>
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<td>1.39</td>
<td>0.72</td>
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<td>1.08</td>
</tr>
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<td>1.33</td>
<td>0.96</td>
<td>8.43</td>
<td>0.37</td>
<td>0.80</td>
<td>0.58</td>
<td>6.17</td>
</tr>
<tr>
<td>Ferrous metals</td>
<td>371</td>
<td>1.10</td>
<td>0.64</td>
<td>2.48</td>
<td>0.46</td>
<td>0.78</td>
<td>0.45</td>
<td>1.71</td>
</tr>
</tbody>
</table>

* capital output ratio = value-added less wages / value of production for that industry in Canada, calculated from OECD, 1998a (DSTI STAN Industrial Database, OECD: Paris).

Because technology is an intangible, it is very difficult to develop quantitative measures of its use. The OECD’s solution to this problem relies heavily on the level of R&D in that industry. While there are not direct measures of technology itself, it argues that the two are usually closely correlated. For example it claims that rates of R&D on an industry-by-industry basis are highly correlated with what it calls the use of ‘embodied technology’ in the fixed capital and investment goods used in that industry (OECD, 1997c, 109). While there is some merit to this argument it is not entirely satisfactory, because, according to an OECD background paper the level of ‘embodied technology’ in intermediate and investment goods is, in turn, measured by the rate of R&D in the industries producing these goods (Hatzichronoglou, 1997, 5). There is no concrete evidence of the reliability of this association. The level of technology in a given industry in the OECD as a whole may also be quite different than the level in a particular country. I will return to the issue of how technology is measured below, but will first describe how Canada compares with other countries using the OECD approach.

Table 8.27 compares the share of manufacturing that is accounted for by each category of industry. It confirms that manufacturing in Canada is weighted more heavily to ‘low-technology’ industries than in most of the OECD countries listed. However, the ‘high-technology’ industry share of manufacturing in Canada was only slightly below the average for the OECD in 1995. The ‘medium-high’ technology share of manufacturing in Canada was almost three percentage points above the OECD average, and just under the G7 average. When the four-part classification is collapsed into two parts, the share of ‘high-’ plus ‘medium-high technology’ industries in Canada in 1995 was slightly above the average for the OECD. It was almost three percentage points below the G7 average, but higher than the rates for two other G7 members, Italy and France.

Finally, it may be noted that the share of manufacturing accounted for by high-technology and medium-high-technology industries in Canada increased slightly faster than in the average of other OECD countries. For example, the high-technology industry share of manufacturing grew by 42% between 1980 and 1995 in Canada, compared to an average growth among the 16 OECD countries of 34% (calculated from Table 8.27).
Table 8.27: Manufacturing industries by level of technology (% of value added)

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</thead>
<tbody>
<tr>
<td>US</td>
<td>10.5%</td>
<td>15.8%</td>
<td>32.6%</td>
<td>32.6%</td>
<td>26.4%</td>
<td>21.4%</td>
<td>30.5%</td>
<td>30.1%</td>
<td>43.1%</td>
<td>48.4%</td>
</tr>
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<td>Canada</td>
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<td>9.2%</td>
<td>24.7%</td>
<td>24.9%</td>
<td>25.3%</td>
<td>18.7%</td>
<td>43.5%</td>
<td>40.8%</td>
<td>31.2%</td>
<td>40.5%</td>
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<td>Mexico</td>
<td>5.2%</td>
<td>7.8%</td>
<td>24.9%</td>
<td>28.0%</td>
<td>25.1%</td>
<td>23.0%</td>
<td>44.8%</td>
<td>41.2%</td>
<td>30.1%</td>
<td>35.8%</td>
</tr>
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<td>Japan</td>
<td>9.6%</td>
<td>14.5%</td>
<td>31.3%</td>
<td>32.7%</td>
<td>31.9%</td>
<td>27.8%</td>
<td>27.2%</td>
<td>25.0%</td>
<td>40.9%</td>
<td>47.2%</td>
</tr>
<tr>
<td>Australia</td>
<td>4.8%</td>
<td>4.5%</td>
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*1993 instead of 1995  **G7 and OECD averages are simple averages of the countries listed.

This comparison does not offer much support for dependency suggestions that manufacturing in Canada is qualitatively different from the norm for industrial countries. Of course, as noted above, manufacturing accounts for a smaller share of GDP in Canada than in most OECD members. It is thus useful to also consider the absolute value added produced by these industry groups. Table 8.28 shows that in 1995, each category of industry Canada ranks 8th or 9th among OECD countries as compared to its 7th place in terms of GDP.
Table 8.28: Manufacturing value added by industry (current $US mil.)

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</table>

* 1993 instead of 1995

Source: OECD 1997c (OECD Science Technology and Industry Scoreboard of Indicators 1997, Paris: OECD, 139), and calculations using this data.

A final comparison is the value added produced per person in each industrial group. Table 8.29 shows that in 1995, the 'average Canadian' produced less manufacturing value added than the 'average person' in the OECD countries listed. When industries are divided into medium-low and low-technology industries on one side, and medium-high and high-technology industries on the other, the 'average Canadian' produces about three quarters as much in each of these two categories as the average person in the other OECD countries for which data is available. Again, Canada does rank lower than most other countries, but arguably not by a margin that distinguishes Canada on qualitative grounds from other advanced capitalist countries. One example is that Canada's high- plus medium-high technology output per capita in 1995 was fractionally higher than that of G7 member Italy.
## Table 8.29: Manufacturing value added per capita (current $US)

<table>
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**Averages (simple):**

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* 1993 instead of 1995

Source: calculated using data for GDP and population from OECD, 1999e (OECD Statistical Compendium, Paris: OECD), and data for manufacturing value added from OECD, 1998a (OECD, DSTI (STAN Industrial Database), Paris: OECD) .

### Manufacturing exports by level of technology

In addition to the division of production by level of technology, the division by trade is also relevant. The general pattern indicated by the data in Table 8.30 below is very similar to that above, although Canada's relative position is a little lower than in the case of production. The share of high and medium high technology exports from Canada is smaller than in the OECD as a whole and slightly below that in the EU. However, again, it would be difficult to describe these differences as qualitative. The high-technology share of manufacturing exports in 1996 was less than four percentage points below that for the EU, and Canada and the EU appear even more similar when medium-high technology exports are included with the high technology group.
Table 8.30: Manufacturing exports by level of technology (% share of total)

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Averages:

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<th>EU (weighted)</th>
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The final point related to trade is the balance of payments for technology in Canada. If Canada was is a technologically-backward country it would be logical to expect a large deficit in this area. For example, Britton (1996b, 258) points to the deficit in the trade account for explicit transfers of technology (he also suggests this trade data under-represents the true amount as many subsidiaries in Canada do not report specific service charges to their foreign parent corporations). However, according to the recent OECD data, of the 20 OECD countries for which data is listed, Canada is one of the nine with a positive “technology balance of payments”. In 1998, receipts for ‘technology’ exports totaled 0.23% of Canada’s GDP while payments totaled 0.17% of GDP (OECD, 2000, 258).

In short, the OECD data points in a slightly different direction that comments like those by Britton et al. (1996, 437) about how it is “difficult to be optimistic” about industrial technology in Canada. A range of measures of the level of technological intensity of industry in Canada places this country in the middle of the OECD group, and sometimes slightly higher than G7 members Italy and France. Whatever the social implications, it is clear that Canadian capitalists are generally able to effectively exploit industrial technology to reap profits in domestic and world markets.

Technology and fixed capital
Having discussed the OECD data at length, my final point is that these R&D-oriented approaches probably underestimate the relative level of technology in use in Canada. An alternative approach is to assume that modern industrial technology is inescapably bound up with or embodied in industrial machinery (for this argument from the point of view of modern growth theory see Scott, 1989). This implies that the level of technology is closely correlated to the volume of fixed capital, especially that which has been recently replaced. Educated and skilled labour power is also essential for applying technology after the R&D stage, including carrying out the modifications to machinery and processes that are invariably necessary. The nature of the labour required by an industry is thus also a key indicator of the level of ‘technology’.

If the level of technology is closely associated with the volume of fixed capital in use, the OECD typology of industries outlined in Table 8.26 may underestimate the technological intensity of industry in Canada, because many industries in Canada are relatively capital intensive. For example, the OECD characterizes the paper industry, which is relatively large in Canada, as a ‘low-technology’ sector. However, if technology were associated with capital intensity, this industry would be on the opposite end of the range of technology. One measure of capital intensity is the capital-output ratio, which, on a ‘flow’ basis, can be approximated by the ratio of value added less wages over the value of production. By this measure, Table 8.26 shows that the paper and printing industry in Canada in 1990 was more capital-intensive than most industries in Canada that the OECD places in the ‘high-’ and ‘medium-high-technology’ groupings (calculated from OECD, 1998a and OECD, 1999b).

Advanced technology embodied in capital equipment also requires labour that can effectively direct it. It is difficult to compare the level of education and skill of manufacturing employees across countries, but Canada generally ranks quite highly in terms of economy-wide indicators of education. For example, Canada is second among G7 countries in terms of the share of the population between ages 25 to 64 who have completed university-level education, and third in
terms of the flow of science and engineering graduates as a share of total employment (OECD, 1999b, 27).

In other words, if the use of technology is indicated by investments in capital equipment and educated labour, Canada would probably rank higher than if it is equated with investment in R&D alone. Dependency writers may not think that putting technology to use through foreign investment and trade is a good competitive strategy, but the issue is whether Canada is "generally industrially backward" (Britton and Gilmore, 1978, 59) as a result.

8.4 Summary and conclusion

This chapter has reviewed several aspects of the size and composition of the manufacturing sector in Canada to evaluate dependency claims that Canada is an industrially underdeveloped or dependent country. All the measures used gauge Canada’s industrial status indicate that Canada is less specialized in manufacturing production in general, and ‘high-end’ manufacturing products in particular than most advanced capitalist countries. However, the differences between Canada and these countries are not a great as depicted by dependency writers. From the point of view of the imperialist model, it is relevant that Canada ranks ahead of some other advanced capitalist countries in these various measures of industrial development. For example, Canada is not ‘exceptional’ among the G7 imperialist powers, because it leads Italy and even France in some measures of the level of technology in manufacturing.

The first series of measures used to gauge Canada’s industrial status focused on the size of the primary sector as a first approximation of the ‘staples’ base of Canada’s economy that is emphasized by dependency writers. The primary sector accounts for a larger-than-average 6% of GDP in Canada, and Canada exports include more primary products than most countries. However, the differences between Canada and other countries are modest compared to total economic production, and have declined over time. It is difficult to argue that Canada is qualitatively different than other advanced capitalist countries on this basis alone.

The real debate concerns the nature of manufacturing in Canada. This sector’s share of GDP in Canada is lower than in most industrial countries, but, again, the differences are relatively modest. When the relative productivity of various industrial economies is compared on the basis of manufacturing production per capita, Canada ranks higher than some countries normally included in the advanced capitalist and imperialist categories. In terms of the kinds of products in which the manufacturing sector in Canada specializes, a similar pattern is evident. When manufacturing is divided in terms of the stages of processing, the share of ‘finished goods’ in Canada is similar to the share of ‘finished products’ in the US, although this comparison is qualified by the different definitions and methods used in the two countries. Canada’s ‘finished manufactures’ share of exports is less than in most advanced capitalist countries, but it has been rising faster, i.e., by this measure Canada has been moving up the value-chain of world manufacturing production.

In terms of industrial technology, corporations in Canada invest proportionally less in R&D to develop new technology than in most other countries. At the same time, more is invested in Canada in broader determinants of technology than most countries. When the use of technology
is defined largely in terms of the R&D rate in that industry and its inputs, the share of 'high-
technology industries within the manufacturing sector in Canada is smaller than in most
industrial countries. When manufacturing is divided between high and medium high as opposed
to low and medium low technology industries the former share of manufacturing in Canada is
slightly above the OECD average, and greater than fellow G7 members Italy and France. This
approach to measuring the level of technology may under-represent its application in Canada by
failing to represent fully the technology embodied in the high level of capital investment in
industries that account for a large share of manufacturing in Canada.

As suggested in the introduction, this discussion about Canada's industrial status is like debating
about whether a glass is almost full or partly empty. I have tried to show that the dependency
model under-represents the actual level in the cup; it fails to acknowledge that the level has been
rising; and it generally exaggerates the significance of the cup not being full to the brim. I
suggested that staples theory has contributed to this flawed perception of manufacturing in
Canada. Staples theory attaches too much importance to industrial specialization because it fails
to place this factor within the broader dynamic of capitalist relations of production.

The dependency model considers the smaller-than-average manufacturing sector and lesser
specialization in 'high-end' products in Canada as grounds for excluding Canada from the status
of a highly-developed industrial economy. There is no particular level that defines a fully
industrial economy, but it seems to me the evidence points away from the dependency claim.
One of the most telling features of the dependency model is its failure to predict (even to
acknowledge) how the differences between Canada and other industrial countries have narrowed
over time. For the dependency model, Canada's industrial status is the outcome of foreign
economic domination and the absence of a strong, indigenous bourgeoisie. But if Canada cannot
be considered an industrial 'failure', this is further evidence against dependency claims in the
areas discussed in previous chapters.

In conclusion, for the purposes of characterizing where Canada fits in the world system, the
similarities between industrial development in Canada and most advanced capitalist countries are
more important than the differences. There is no meaningful sense in which Canada can be
compared to 'Third' world countries locked into primary production and low value-added
processes, or even an intermediate grouping of 'semi-industrialized' countries. Canada's
industrial base is consistent with an imperialist status. Moore and Wells argument from a quarter
century ago stands up pretty well:

Canada is not moving towards colonial status in the American Empire, it is
moving toward a greater imperial role in the world imperialist system...Canada
has started on the road to a slow but sustained imperialist expansion. And if
present trends continue, Canada will be a secondary imperialist power in the
coming decades (Moore and Wells, 1975, 11-12).
Chapter 9: Conclusion
Chapter 9: Conclusion

That foreigners control this or that particular industry will trouble none but earnest patriots, who, in defiance of all the evidence, persist in believing that the Canadian capitalist is a different kind of being from the foreign, that one is a philanthropist, the other a robber and cheat.

-- League for Social Reconstruction, 1935

9.1 Introduction

I began this study by describing how my opposition to Canadian nationalist politics within the labor movement led me to re-examine the economic assumptions that underlie such political differences. Many of those with whom I debated the issue of Canadian nationalism agreed that workers in United States or Great Britain or Japan should not support nationalist politics in their countries. However, they argued that Canadian nationalism is different because Canada is a different kind of country; it is an economic colony of the United States.

I had previously become familiar with some of these issues as a university student exposed to the literature on Canadian political economy. The Canadian political economy school that emerged in the late 1960s and early 1970s also concluded that Canada is qualitatively different than other advanced capitalist countries. It viewed Canada as a ‘rich’ but still ‘dependent’ country, and advanced left-nationalist solutions to Canada’s problems.

When I returned to school and re-read this literature, I was struck by two points. The first is the contrast between contemporary left-nationalism and previous left-wing perspectives on Canada. The second is how little attention has been paid recently to the aspects of Canada that, several decades ago, were central to characterizing Canada as dependent. It seemed to me the current, left-nationalist image of Canada was now factually rather out of date. In the meanwhile, political economy theories had lost popularity to flavour-of-the-day ‘post-prefixed’ theories and other claims that all the old rules had been re-written, for example, by ‘globalization’. However, while shifting the basis for explanations, these approaches continued to generally assume that Canada is a partly dependent country.

I thought it would be useful to rework the issues posed by Canadian political economy several decades ago with the empirical evidence that had accumulated since then. Even if the specific form of the questions posed was partly dated, I thought they still represented points that are central to the political economy of this country. In addition to the political implications involved, the definition of Canada’s political-economic status also raised a number of analytical points or theoretical issues that seemed useful to consider, including what is specific about capitalism in Canada and the significance of regional scales of analysis.
I identified two counterposed models of Canada in the literature on Canadian political economy, the majority-supported 'dependency' model and a less frequently articulated 'imperialist' model. Each model is grounded in parallel but largely opposite sets of assumptions about three key aspects of the Canadian economy. The first is the extent of foreign economic control exercised through direct foreign investment. The second is how well sectors of financial and industrial capital are integrated with each other. The third is the scale and sectoral composition of Canada’s industrial base. The imperialist model assumes there is less foreign control, greater integration of financial and industrial capital, and a better developed industrial base in Canada than the dependency model.

There are valid objections to my crude grouping of arguments into two counterposed models of Canada. They suppress many of the nuances of the positions actually held by the writers in question. However, I think posing these models and assumptions in this way helps bring empirical evidence to bear on several points that most of the writers in question would agree are relevant, even if they disagree on the specifics. Naturally, it would be too much to expect that empirical evidence alone would ‘prove’ one or the other model correct. However, I thought this evidence would challenge one model more than it does the other. My own expectation was that the evidence would show that the dependency model inadequately acknowledges the Canadian character of capitalism in Canada. This, in turn, would help make the political argument that working people in Canada should have the same critical attitude towards nationalism in Canada that my fellow unionists agreed that Americans or Germans or Japanese should express about nationalism in their countries.

9.2 Towards a socialist understanding of Canada’s early history

Canadian nationalism is so currently closely associated with left-wing politics in Canada that it is easy to overlook that this relation only holds in recent decades. Resnick (1977, 207) documents that “English Canadian nationalism between 1945-65 was primarily a bourgeois...phenomena”. The best-known scholarly analysis of Canada from a left-wing perspective was John Porter’s The Vertical Mosaic (Porter, 1965). Given “the capitalist rules of the game”, Porter described nationalistic sentiments against foreign investment as “irrational”. In his view, calls for greater Canadian control of corporations expressed “ungrateful demands on the system they uphold” (Porter, 1965, 270).

Of course, the left-nationalism that was popularized in the 1970s might have been an appropriate response to new conditions, or if past conditions were re-appraised. In fact, the re-appraisal of previous conditions was a key point around which the ‘new’ Canadian political economy school developed. The ‘Naylor-Clement’ theory rooted Canada’s current dependency in the failure by the bourgeoisie in the 19th century to develop an independent Canadian capitalist economy (Naylor, 1971, Clement, 1977). This theory was accompanied by the tendency to assume that progressive opinion in earlier periods shared the currently popular Canadian nationalist, anti-American sentiment. It assumed a version of Canadian history that was not very different from what I learned in high school, that Canada emerged as a kinder, gentler form of capitalism than in the US, a noble project under constant threat from south of the border.
My purpose in Part I, Chapter 2 was simply to cite several examples that challenge this nationalist narrative. I tried to show that to the extent there was "Canadian nationalism" in the early history of this country, it opposed as much as it supported the state that emerged north of the United States. Canadians workers and farmers were more supportive than is generally acknowledged of the American Revolution, of the American side in the war of 1812, of American-style democratic republicanism in the rebellions of 1837-38, of the more liberal US policy on access to land, and of further economic integration with the US. There are good reasons to speculate that working people would have been better off if Canada had become more 'American'. Discussing the legacy of this 19th century history, Simms and Young (1990, 41) put it this way: "...what makes Canada 'distinctively Canadian' from US social, economic, cultural and political development is retrograde and reactionary. It is not that the Canadian nationalists’ plus sign should be replaced with a minus sign (this is also a form of nationalism), but that nationalism should not be the framework for analysis. The proper context for understanding Canada’s history is the broader canvas of social struggles in the Americas as a whole and the rest of the world.

My other point in Chapter 2 was that national economic dependency was not a central issue for socialists in the late 19th and early 20th century. Contrary to what would be expected if Canada was oppressed and exploited by the United States, the nationality of capital was not a central point of concern. Socialists would not have recognized the divided and subordinate Canadian bourgeoisie that is featured in the descriptions of that period by 'new' Canadian political economy. Instead, they focused on the extreme concentration of economic power by Canadian capitalists, including the close links that had developed between the leading financial and industrial corporations.

I raise these points in Chapter 2, but I do not prove them. No rounded alternative to Canadian nationalist history has yet been written, something that is necessary to make my arguments more convincing. And, while I did not develop this argument in any detail, I suggested that one aspect of Canada’s early political economy that requires more attention is the issue of how white settler access to land was connected to the 'problem' of reproducing capitalist social relations in the new world. One aim of Colonial rule was to maintain land prices that were sufficiently high to ensure that a proletariat was available for exploitation by capital. I suggested that this policy partly explains the difference between colonial Canada and the more popular, dynamic form of capitalism that spread across the republican United States. The Canadian political economy school gives central billing to 'staples' in explaining Canada’s development and its specificity. The issue of land and its consequences for capitalist development is an example of why more emphasis is due to social relations.

9.3 Canada was imperialist by the 1920s
In Part I, Chapter 3 I reviewed the debate over Canada’s status that occurred in the Communist Party of Canada (CPC) in the 1920s. When I learned that the National Archives in Ottawa had recently acquired a large collection of Comintern files on the early Communist Party of Canada (CPC) from Moscow, I thought they offered an important opportunity to examine the record of the early CPC. Scholars who are socialists, like Penner (1982) and Angus (1981) have described the sanitized and misleading accounts of the CPC’s early positions offered by the Party and its
leaders.\textsuperscript{377} I wanted to know more about how the first generations of communists understood Canada, especially during the period before the CPC underwent the process of Stalinization common to communist parties around the world.

The debate in the 1920s in the CPC raised many of the issues that have been discussed in recent decades. I described three general periods or phases in the CPC’s description of Canada and its attitude towards Canadian nationalism. The Party’s initial approach was generally consistent with Canada being an imperialist country. The CPC clearly distinguished between Canada and other colonies of the British Empire. It described Canada’s economy in similar terms as previous socialists, that is, as dominated by a monopolistic fusion of industrial and financial capital, and it described the growth of Canada’s foreign investments as characteristic of imperialism. Finally, I described how the Party’s perspective of a strategic alliance between workers and farmers is indirect political evidence that the CPC did not contemplate nationalist alliances between exploited and exploiter classes.

In the mid-1920s, the Party abruptly abandoned its earlier approach. It declared that Canada was still a political colony of Britain, and adopted the slogan of ‘Canadian independence’. This shift seems to have been an effort by CPC leaders to apply the newly-adopted ‘anti-imperialist’ popular front strategy decreed by the Comintern, now increasingly controlled by Stalin. I described how the new policy was applied in the trade unions. It led to supporting small, independent Canadian unions in place of the previous effort to build a class struggle left wing within the ‘international’ and national unions to which most organized workers in the country belonged.

The CPC tried to explain its new policy by linking Labour’s struggle for the right to strike and for social legislation to the need for political independence from Britain. This motivation was never very convincing, and, in general, the Party provided few arguments that were rooted in the economic and political conditions within Canada. It cited how US investment in Canada had eclipsed that of Britain, and the Party described the Canadian bourgeoisie as divided between factions tied to Britain or the United States. However, these arguments had a particular political purpose, to motivate support for ‘Canadian Independence’ in the context of a purported ‘war danger’ between the US and Britain (and so between their respective allies within the Canadian bourgeoisie). Rather than reflecting economic or political conditions within Canada, the ‘war danger’ largely reflected the current international concerns of the Comintern.

In the third stage of the CPC discussed in Chapter 3, the party eventually returned to its initial definition of Canada as an imperialist country. This third stage description of Canada resulted from the influence exerted on the CPC by Stalin’s Comintern, and the debate in the Party was largely determined by the highly factionalized process by which the CPC was drawn into the political orbit of Stalinism.\textsuperscript{378} However, the evidence invoked in favour of the imperialist description did address economic conditions within Canada to a greater extent than before. This economic evidence is what is of interest for this study, in spite of the political motivations involved.

One economic statistic cited during this period against the view that Canada was foreign-controlled was that the national wealth controlled by the Canadian bourgeoisie at the end of the
1920s was about five times the total of foreign investment within Canada. Another point emphasized was that Canada had become a very significant industrial producer, and even a net exporter of industrial goods to Britain. A third argument was the significant scale of foreign investments by Canadian capitalists in both semi-colonial countries in Latin America and in the US.

CPC leaders like Tim Buck claimed that these statistics underestimated the foreign domination of Canada because they ignored how the Canadian bourgeoisie was integrated within, and subordinate to, foreign capital. Buck also argued that the industrial statistics failed to express Canada's dependence on foreign markets for low-value resource-intensive products. However, not much concrete evidence was actually cited to substantiate these claims.

In short, the general point of Part 1 of this study is that socialists and communists in the early 20th century considered and then rejected some of the reasons for believing that Canada was dependent that were later advanced by the Canadian political economy school. Of course, it may be that these early socialists and communists were too dogmatic or ultra-left to entertain ideas only visible outside the frame of official Marxism. However, there is also little evidence that most workers and farmers shared the nationalist assumptions of recent years. My review of the CPC discussion in the 1920s does not yield much evidence that could be cited in support of the 'dependency' model. To the degree that attention was paid to the actual economic and political conditions within the country, the facts from the period tend to support the 'imperialist' model.

One final point related to this period concerns historical timing. If Canada is now an imperialist country, the discussion from Part I suggests this has been true since at least WW1. If Canada was imperialist in the 1920s but is now dependent, it is necessary to identify when this change occurred, and how. For the CPC and a minority of Canadian political economy school writers like Levitt (1970), the period in question was after WW2, and the principle mechanism was the growth of US foreign direct investment. However, the 'majority' argument in Canadian political economy is that Canada has been dependent throughout the entire 20th century.

Is it useful to compare debates about Canada's status in such disparate periods of history? And, even if imperialism was a useful concept for political activists in Canada who were contemporaries of Lenin, is this still the case? Part I identifies some of the important issues in the former debate that turn out also to be important during the discussion of the latter period. One argument for the relevance of these early discussions about Canada is that the continuity of issues reflects a continuity in their political-economic context.

9.4 Foreign control has not eclipsed Canadian control
Part II of this study considered the significance of foreign investment and control for Canada's status in the world system. The assumption generally shared by the two models of Canada is that high levels of inward foreign investment may indicate a dependency status, while high levels of outward foreign investment point to a possible imperialist status. Of course, there is a lot of ground in between, and Part II looked for ways to quantify these gradations.
I tried to sort out some of the issues that have been addressed in past discussions of foreign investment and control in Chapter 4. Supporters of the dependency model of Canada assume higher levels of foreign control in Canada, and pay less attention to declining foreign control in some sectors than do supporters of the imperialist model. The imperialist model acknowledges there are high rates of foreign investment in Canada, but in this model foreign capital has not displaced the Canadian bourgeoisie’s overall control in the domestic economy. Foreign investment from Canada is not a key feature of the dependency model. In contrast, in this model, foreign investment from Canada, including to ‘third’ world countries, is considered strong evidence of independent imperialist interests.

Some of the differences over foreign investment and control stem from different understandings of what the data cited actually measures. Dependency writers argue that official data sources under-represent the effective level of inward foreign control, and over-represent the level of foreign investment from Canada. They claim the official data on foreign control fails to include instances of minority ownership by foreign investors. In Chapter 4 I noted that most minority ownership is, in fact, reflected in the official estimates of foreign control. Similarly, dependency writers have challenged the idea that outward foreign investment from Canada represents imperialism by claiming that a large portion of what is recorded as FDI from Canada is controlled from other countries. I pointed out that this portion is relatively modest, and, in any case, that the outward FDI of other countries also includes investments by corporations controlled by third countries.

While Chapter 4 clarified some aspects of the disagreement between the dependency and imperialist models over the extent of foreign investment and control, it also posed a number of unresolved issues. They are addressed in Chapter 5, using new sources or additional years of data that have recently become available. Previous discussions of the level of foreign control were based on data for non-financial industries alone. In Chapter 5 I describe how, when financial industries are included, the picture changes substantially. Foreign and US control of financial sectors in Canada is significantly lower than in non-financial sectors and thus so are the rates of foreign control for the economy as a whole.

Of course, a central issue when evaluating the effect on the balance of foreign and Canadian control is what relations exist between the capitalists in the two major sectors of the economy. A key assumption of the dependency model is that Canadian financial and industrial capitalists are poorly integrated, making it difficult or impossible for ‘national’ capital to unite against the dictates of US imperialism.

I address this issue in Part III with firm-level ownership data (discussed below). However, the discussion in of aggregate foreign control of the 25 largest enterprises in the country in Part II points to similar conclusions. The member corporations of the 25 largest enterprises include both financial and non-financial corporations, and they account for a very significant share of all corporate assets in Canada. The rate of foreign and US control in this group is much lower than for the economy as a whole. In other words, the largest and presumably most powerful enterprises in Canada are overwhelmingly Canadian-controlled.
Finally, because they assume the domestic economy is largely foreign controlled, dependency writers often assume that so are Canadian governments, that they cater to foreign rather than domestic interests. If the opposite is true, the overall balance of control tips further towards ‘Canadian’.

In Chapter 5, I argue that trends in foreign and US control disrupt the logic of the dependency model. Since current rates of foreign control in Canada are lower than in most of the past three-quarters of a century, it is hard to justify the ‘pessimism’ regarding the prospects for ‘Canadian’ capitalism that has been the hallmark of the dependency model. I paid particular attention to the reduction in foreign and US control in non-financial industries in Canada between about 1970 and 1985. Both models assume a certain consistency of Canada’s status over a long period of time. If so, I argued the 1970-1985 trend is better explained as a consolidation of already-established Canadian control than as a relaxation of continuing dependency.

Finally, there was a noticeable rise in foreign and US control in the last few years of the period since ‘free’ trade took effect. I argued that dependency writers have exaggerated the significance of these agreements, by noting, for example, that the growth in foreign control in Canada during this period was smaller than that in other advanced capitalist countries. The changes in foreign control may reinforce perceptions of the ‘free’ trade agreements as a marker of Canadian dependency on the US. I argued they are better understood in the broader context of the internationalization of capitalism experienced by all advanced capitalist countries.

On the other hand, there are indications that foreign and US control in Canada have continued to increase in the past two years (official data is not yet available). If this trend continues, and rates of foreign control begin to exceed the peak levels reached three decades ago, it may be appropriate to rethink the significance of both the declining trend in foreign control after 1970 and the rising trend two decades later.

There is neither a particular level of inward foreign control that defines dependency, nor a specific rate of outward investment that defines imperialism. It is therefore important to refer to an international context, and this is one of the main issues addressed in Chapter 5. I showed that, contrary to the dependency view, Canada’s rate of inward foreign investment is not unique among developed capitalist countries. Perhaps more importantly, what distinguishes Canada from most countries who also experience significant inward FDI is that Canada’s rate of outward foreign investment is greater than its rate of inward foreign investment. Canadian capitalists invest more abroad than the capitalists in most other imperialist countries, including in ‘third’ world countries, especially in the Americas.

I noted there are a number of significant limitations to using data on FDI as an indication of foreign direct control. This is an area where further investigation might be useful. For example, I cited the United Kingdom as a major imperialist country with a rate of inward FDI that is slightly lower than in Canada (although several years ago it was slightly higher). However, FDI data generally under-represents the value of investments made in the past, and the average age of FDI stock in the UK may be greater than that in Canada. UK data on FDI may thus underestimate its current value relative to that in Canada. On the other hand, in the past countries like France have
designated FDI using an ownership threshold of 20% instead of the 10% used in Canada. This would tend to under-report FDI in France compared to that in Canada.

It would be useful to try to adjust for such differences, although there is not much evidence that various refinements to the data would change the general patterns reported. One example is the claim that Canada’s exclusion of retained earnings from FDI disguises the fact that it is a net importer of FDI. I cited more recent data showing that, when these retained earnings are included, Canada is still a net exporter of both stocks and flows of foreign direct investment.

One aspect of inward foreign investment that requires more detailed study is its sectoral breakdown. Dependency writers have often emphasized the ‘strategic’ nature of sectors with high rates of foreign control. I argued that foreign control in these sectors should be interpreted in light of Canadian control of the economy as a whole. However, it would be worth breaking down this national or macroeconomic scale of analysis to an industry scale. This would also permit more direct attention to some of the ‘non-economic’ factors in particular industries, like the cultural dimensions of US control of entertainment media, or the political ecology of continental energy systems.

Finally, I did not investigate the area of foreign portfolio investment in detail. Canada imports more portfolio investment than it exports, and dollar totals for FPI are greater than for FDI. However, it is generally accepted that direct investment is more significant than portfolio investment; that other imperialist countries are also net importers of portfolio investment; and that the relative significance of inward foreign portfolio investment in Canada has declined in recent decades. Still, more attention to foreign portfolio capital would balance the picture provided by foreign direct investment. One point of interest here is the significant role of Canadian banks in world portfolio investment markets, including their loans to ‘third’ world countries. Canadian banks also play an important role in ‘multilateral’ lending bodies, like the International Monetary Fund and the Paris Club.

Most of this discussion has been framed in terms of criticism of the dependency model, because direct investment and control are central aspects of this approach. I think the evidence discussed in Part II presents a serious challenge to the dependency model. The imperialist model places less significance on inward foreign investment, and, as such, fewer claims can be tested empirically. In any case, the evidence in Part II on inward foreign control is generally consistent with the assumptions of the imperialist model. The evidence on outward FDI strongly upholds this model.

9.5 More evidence of Canadian finance capital is needed

One reason for investigating the ‘internal’ organization of capital in Canada in Part III is its significance for the imperialist model of Canada. That model draws a different connection between Canada’s status in the world system and the nature of the domestic economy than does the dependency model. When I began this study, it also seemed to me that the organization of capital assumed by the theory of finance capital was a poorly articulated aspect of the imperialist model.
In Chapter 6, I reviewed the claims by supporters of each model about how capital in Canada is organized, most of which concern how well corporations in different sectors of capital are integrated with each other on a national scale. Using the terms of the imperialist model, these can be summarized in terms of whether or not there is independent finance capital in Canada. I described how the ‘Naylor-Clement’ theory associated with the dependency model claims that financial and industrial fractions of capital in the 19th century never united to form a ‘national’ form of capital in Canada, and that in recent decades these sectors of capital are still less connected than is true of countries like the US. Instead of their primary links being with Canadian industrial capital, dependency writers claim that Canadian financial capital is tied to US industrial capital.

I argued that the opposing interpretation of Canada’s early corporate history is more compelling. The ‘rivalry’ between sectors of capital in Canada has been exaggerated. The dependency argument of an unusual division between sectors of capital in recent decades is largely based on studies of directorship links between corporations in these sectors. Chapter 6 cites more recent and comparative work that largely refutes these claims.

An important element of finance capital is monopoly, and Chapter 6 summarizes evidence showing that, as the head of the Competition Bureau put it, in Canada “there exists a possibly unique configuration of high levels of all three types of [economic] concentration.” I noted that the usual measures of economic concentration in Canada probably underestimate its extent, by failing to consider the effects of corporate ‘pyramiding’ in this country. And, while dependency writers often associate economic concentration with foreign control, many of the most highly monopolized sectors are heavily Canadian controlled (e.g., banking and the ‘natural’ monopolies in transportation, communication and utilities). The same is true of the very largest enterprises in the country (corporations under common control). There is little reason to believe that less foreign investment in Canada would have led to less economic concentration, as is implied by some dependency accounts.

While I conclude in Chapter 6 that dependency writers are wrong to claim that major sectors of capital in Canada are poorly linked through shared directorships, I note that the traditional ‘German’, bank-control-of-industry’ version of finance capital associated with the imperialist model does not apply to Canada. The best evidence regarding directorship links is consistent with the existence of finance capital in Canada, though not in a form where Canadian banks directly own significant equity in industrial corporations. At the same time, the strength and direction of control represented by directorship links between corporations is often ambiguous. Evidence in the form of some ownership links between these corporations is thus necessary to satisfy the applicability of finance capital to Canada.

Some supporters of the imperialist model have suggested that instead of banks owning industrial corporations in Canada, these ownership connections between sectors of capital exist through the industrial holdings of trust companies and family fortunes. Instead of the ‘German’ model of finance capital, they argue that a more diffuse “Anglo-American” model applies to Canada. However, little concrete evidence has been provided to support this possibility. Further, the imperialist model is not always clear about a range of general issues that concern the theory of finance capital. These issues include whether it is still relevant even to distinguish financial from...
industrial capital, and whether, in a ‘globalized’ world, ‘extra-national’ forms of capital have superceded ‘national’ forms of capital.

Chapter 7 of Part III sidestepped some of these general questions about the theory of finance capital, and instead examined whether the pattern of corporate ownership ties within enterprises in Canada is consistent with an ‘Anglo-American’ version of this theory. In particular, I evaluated the degree to which the largest enterprises in Canada own controlling shares in leading financial and industrial corporations. This does not really represent a test of the general applicability of finance capital, or, because it does not consider the other ways in which corporations are linked with each other, of the ‘Anglo-American’ version of finance capital. However, it does address the important ownership dimension that is necessary for such evaluations.

Chapter 7 addresses finance capital in Canada on the basis of two samples of the largest corporations in Canada and the enterprises to which they belong. The first sample of 25 enterprises was an effort to roughly replicate the group of 25 enterprises in Part II for which data on aggregate foreign control was cited. A larger sample of 74 enterprises was also examined, though in less detail, to broaden the criteria for inclusion and to test how sensitive the general results were to sample size. The samples were constructed by combining the financial data for the largest 1529 corporations in Canada with the listing of corporations by the enterprises to which they belong.

These samples first point to the significance of the enterprise as a unit of control of corporate capital. The 25 enterprises control 150 of the 1529 largest corporations in Canada in 1998 (including the 37 largest), and the 74 enterprises control 343 of these corporations (including the 50 largest, and others added for their prominence in the economy). In addition to confirming the high level of concentration of economic power in Canada, these numbers indicate that individual corporations are coordinated at higher levels of decision-making than are usually considered.

One limitation of the evidence on the nationality of control of aggregate corporate assets discussed in Part II is that it does not consider relations between these corporations. It does not directly address the dependency claims that Canadian capital is linked to and subordinate to US capital. The samples discussed in Chapter 7 indicate that only a minority of these enterprises and their member corporations have significant shareholders in both Canada and foreign countries. In other words, contrary to dependency claims, there is relatively little ‘mixing’ of Canadian and foreign corporate capital through ownership. This evidence on corporate ownership is consistent with the studies of corporate directorships I quoted in Chapter 6, that indicated that Canadian capital is relatively separate and distinct from foreign capital.

One important qualification to these conclusions is that only corporations in Canada are considered in Chapter 7. Some ownership connections exist between corporations in Canada and foreign corporations that have no presence in the domestic economy. While there is no evidence that such connections are more extensive than those within the country, this needs to be addressed by further research.
On the central issue concerning finance capital in Canada, Chapter 7 shows that there is a significant variation in the extent to which the largest enterprises in Canada include both financial and industrial corporations. When the sample of 25 enterprises is crudely divided into three groups, on the basis of the major economic sectors represented by their large corporation members, seven are almost exclusively based in financial sectors, and eleven enterprises are almost exclusively based in industrial sectors. Only seven of the 'Top 25' enterprises include at least one large 'financial' corporation as well as at least one large 'industrial' corporation.

The two samples add evidence for the widely-accepted conclusion that the 'bank-control-of-industry' model of finance capital does not apply to Canada. They also fail to support the claim that trust companies in Canada play the role occupied by the banks in this theory, as none of the trust companies directly own significant equity in large industrial corporations. The suggestion that finance capital in Canada takes the form of financial and industrial corporations jointly controlled by large family fortunes is only partly supported by the ownership data alone. When the sample of 74 enterprises is roughly categorized by the economic sector of their leading corporations, of the 26 enterprises that clearly represent family fortunes, 15 are exclusively 'industrial' and one is exclusively 'financial'. Only 10 family fortunes in this sample include both large financial and industrial corporations linked through common ownership.

The grouping of enterprises in these samples relies heavily on sectors being defined by the main line of activity of the corporation in question. For example, they ignore financial activities carried out by mainly 'industrial' corporations. It is possible that a less arbitrary designation of sector of activity would yield different results. This may be particularly true of the family enterprises. Some heads of family enterprises that were designated 'industrial' could also be described as 'financial', and vice versa. Another point for further research is to determine whether including corporations smaller than the largest 1529 corporations in the country would reveal a significantly different rate of ownership linkages between financial and industrial sectors.

The structure of the data used in Part III allows direct examination of ownership links within enterprises, but it does not allow direct examination of ownership links between enterprises (this requires multiple-step searches through the database). The samples evaluated therefore do not permit a complete test of the extent of ownership links between financial and industrial corporations, although it does seem likely that the most important direct links of this kind are revealed. One of the most serious limitations of the data used is that only corporations in Canada are considered, and so the ownership links that occur at an international level are not addressed. This is illustrated by the K.R. Thompson enterprise, whose large member corporations in Canada are all financial, but which owns large industrial corporations outside Canada. It may be possible to pursue these links by using the Who Owns Whom international directory of intercorporate ownership (Dun and Bradstreet International, 1992), along with obtaining the necessary financial data for these corporations in the countries where they are located.

Finally, in order to evaluate the significance of the ownership links between financial and industrial corporations in Canada it would be very useful to identify comparative data on ownership links between corporations in other countries. It may be that the modest number of ownership links discussed above is significantly greater (or less) than in other countries,
including those where it is often thought that the ‘Anglo-American’ model of finance capital applies. If Canada exhibits fewer ownership links than in other countries, this would be evidence against there being finance capital in Canada. If both Canada and other imperialist countries exhibit few such links, the imperialist model may have exaggerated their relevance.

In Chapter 7, I focused on ownership links between corporations because this was the aspect of the ‘Anglo-American’ model of finance capital that had not previously been demonstrated to apply in Canada. The most important alternative mechanism for linking corporations in this theory is probably links between corporate directors. In order to address more completely whether this form of finance capital exists in Canada, information on ownership and directorship links should be combined. Networks of corporations could be identified on the basis of either ownership or directorship links (and possibly other variables, like credit relations). Alternatively, both criteria would be required to define membership in the network. One reason to apply both criteria is that directorship links between corporations also linked by ownership tend to confirm that the potential for coordination and control indicated by ownership is being exercised. Berkowitz (1995) shows that a share ownership of 15% plus 3 directorship links yields a consistent mapping of corporations and enterprises. These threshold values could be used to identify networks of related corporations, and their industrial composition could then be evaluated.

In short, Part III tested the imperialist model’s assumption that finance capital exists in Canada. It does not demonstrate that the largest financial and industrial corporations in Canada are strongly linked through ownership ties, although some ties of this kind do exist within a significant minority of the largest enterprises in the country. If an ‘Anglo-American’ form of finance capital exists it requires additional evidence, especially concerning the pattern of directorship links between leading corporations.

The dependency assumption that there are significant links between Canadian and foreign corporations is not upheld by the evidence in Part III. This is particularly important when added connected to the evidence in Part II on foreign control. The absence of such ownership links undermines the dependency claim that aggregate rates of Canadian control ignore the foreign influence that results from links between Canadian and foreign capitalists.

9.6 Canada’s industrial base is comparable to that in other developed countries
One of the main reasons for concern about economic dependency is that it may result in a lagging, poorly-balanced form of industrial development. In Part IV, I evaluated whether the dependency model accurately represents the size and composition of industry in Canada. The imperialist model assumes that capitalism in Canada has developed an industrial base that is generally commensurate with imperialist status. In contrast, the dependency model argues that the differences here between Canada and imperialist economies are qualitative, that they justify placing Canada in a different political-economic category. Many dependency writers focus on the need to develop a nationalist industrial policy focused on the legacy of dependency, and place less emphasis on the class issues that are the usual concern of socialists. I described one such difference in Chapter 1, whether my union should have prioritized a campaign to ban log exports or a campaign to shorten the work week.
One of the roots of the dependency approach is staples theory, which places great importance on the scale and influence of natural resource sectors in shaping Canada’s development. I agreed with the argument by some supporters of the imperialist model of Canada that the staples approach suffers from environmental or technological determinism. It fails to locate staple production in the context of social relations of production. In addition to this political-theoretical objection to staples theory, I also noted that writers from a variety of theoretical perspectives agree that the relative extent of staples production in Canada’s early history has been exaggerated in staples-dependency models of this country.

To evaluate the counterposed descriptions of Canada’s current industrial base by the dependency and imperialist models of Canada, Part IV compares Canada to a range of other developed capitalist countries. These comparisons include the relative size of primary sectors, the manufacturing sector, higher value-added industries, and ‘high technology’ industries. I address whether the differences between Canada and countries at each level are relatively large or small, and whether they have been increasing or decreasing. These comparisons provide evidence to assess the dependency perception that Canada lags so far behind other advanced capitalist countries that it belongs in a different industrial category.

I noted that the differences in the primary and manufacturing sector shares of GDP in Canada and the US are not large relative to the range among advanced capitalist countries. One example is that even though many Canadians are busy ‘hewing wood and drawing water’ in the primary sector and providing a high level of services in the service sector, manufacturing output per capita in Canada in 1997 was only 8% less than in the UK, and 7% less than in Italy. This hardly justifies the label of industrial underdevelopment, or dependency writers’ ‘pessimistic’ reflexes regarding Canada’s industrial prospects that follow from the underdevelopment label.

Of course, the key argument of the dependency model concerns the composition of industrial production and trade. It is difficult to operationalize dependency concepts like ‘industrial staples’ or ‘new staples’ using the available data on production and trade. However, I cited a recent study that divided manufacturing products in Canada into three stages of processing, and I compared the results to analogous data for the US. The proportions of third stage ‘final’ goods in each country are very similar, as are the proportions of ‘industrial staples’ when defined most generously (first stage plus second stage products). This comparison is limited by the comparability of the data for the two countries. However, I think it is probably as apt as other efforts to compare the modern extent of the ‘staple’ content of manufacturing production in Canada and other countries. It would be very useful to operationalize this approach on the basis of a common methodology for a number of countries.

Turning to exports, I criticized dependency writers for exaggerating the difference between Canada and other countries, for example, in terms of the share of exports composed of ‘finished’ goods. The role of the automobile industry is an important issue here because it accounts for a large proportion of manufacturing exports from Canada. I disagreed with some dependency writers that this industry should be excluded when discussing Canada’s export performance. Another aspect of the debate regarding the auto industry is how exports of some non-final demand products represented in trade data as “semi-fabricated” goods should be interpreted. I
noted that in recent decades Canada has moved up the ‘value chain’ whether this category is grouped with primary product exports (as ‘staples’), or with finished good exports (as non-‘staples’). The share of exports accounted for by primary products and semi-fabricated goods has declined over time, and the finished goods’ share of imports has risen more slowly than the finished goods’ share of exports. According to the very criteria cited by dependency writers for defining industrial success ‘Canada’ has done reasonably well. These ‘positive’ trends even continued under the ‘free’ trade agreements that were described with such dread.

Having cited the significance of the auto industry in this discussion, and given that it is overwhelmingly located in southern Ontario and Québec, it is worth noting that an important qualification to my discussion of industrial issues is the regional variation that is suppressed by national level data. An issue worth further investigation is how national-level industrial ‘performance’ is related to regional-level industrial ‘performance’ in Canada as compared to other countries. One line of inquiry is to compare the trade linkage within and between Canada, the US and the countries composing the EU. A comparison with the US and European countries would provide a standard for evaluating the significance for the trends in regional trade within Canada as opposed to trade with the United States.

The final area of comparison in Part IV concerned technology. Relatively less is spent on research and development in manufacturing in Canada than in other countries, but the differences are smaller than often represented. When industries are categorized by an average rate of research and development in that industry, the resulting share of ‘high-technology’ industries in Canada is smaller than in most advanced capitalist countries. On the other hand, Canada’s rank in many of these measures of industrial technology has been rising, and Canada currently ranks in about the same position, or even higher than Italy and sometimes even France, which are imperialist countries. I also argued that measures of ‘technology’ based on expenditures on research and development also tend to underestimate the level of technology in use in Canada because some technology is imported and adapted for local use. They may also fail to reflect the comparative degree to which technology is embodied in both fixed capital and skilled labour in Canada.

Part IV tested whether the dependency model is justified in assuming that the result of foreign investment and a divided capitalist class in Canada is industrial underdevelopment. I did not address the ‘micro-economic’ mechanisms that are assumed to have led to this result. However, the relatively modest ‘macro-economic’ differences between Canada and other advanced capitalist countries do not justify the qualitative distinction drawn between Canada and these countries. These differences are more consistent with the imperialist model’s assumption that Canada’s industrial base is generally commensurate with imperialist status. The competitive problems of Canadian capitalists are not usefully evaluated within the framework of a dependency syndrome. They should be approached in terms of Canada’s vulnerabilities as a smaller and weaker imperialist power than its main rival, the US.

9.7 Conclusion: The final score
Which model of Canada is most challenged by the evidence discussed in this thesis? From my perspective, the dependency model was the most vulnerable because it makes the ambitious
suggestion that Canada is qualitatively different from other advanced capitalist countries. What is even more remarkable is the negative sign it places next to Canada’s style of capitalist industrial development. Most people in the world would say that if this is what is meant by national dependency, “we want more”. The current political relevance of the imperialist model is always an issue, as is the theoretical relevance of finance capital. However, in empirical terms, all the imperialist model had to do was to survive comparisons of Canada with countries that are unquestionably imperialist.

If the outcome is judged by points-per-assumption, the dependency model failed in all areas. Part I provided little evidence this approach was valid during the 19th and early 20th centuries. In Part II, the dependency model focused so narrowly on US investment in Canada that it missed the overall extent of Canadian control, along with the scale of Canada’s own foreign investments. It did not sustain its claims about the linkages between Canadian and US capital in Part III. Partial points are due for highlighting some aspects of Canada’s industrial base in Part IV. However, it lost marks for exaggerating these differences, and missed further marks because the causal link between industrial success and foreign investment and divided capitalists was weakened by its poor grasp of reality in all three areas. The result is a failing score.

The imperialist model scored more points, but it did receive a failing score in one area. It gained some points for applicability in the early 20th century in Part I. The comparative rates of inward foreign investment and the scale of Canadian investments abroad put it ahead in the round on foreign control in Part II. It got marks for monopoly in Part III, but it failed to demonstrate there are very extensive ownership linkages between financial and industrial capital. In Part IV it scored partial marks on Canadian industry, and avoided penalties imposed on the dependency model for the latter’s tendency to accord growing significance to phenomena of declining importance.

In the formal terms of the hypothesis for this study, both models are challenged by evidence that failed to uphold one or more of their assumptions. However, I think the evidence constitutes a greater challenge to the dependency model than the imperialist model. If there is a ‘middle ground’ that is consistent with the evidence on Canada’s status, it is much closer to the imperialist pole than the dependency pole. I deliberately tested for a ‘strong’ version of ‘Anglo-American’ finance capital, by considering only ownership relations, and not other kinds of linkages between financial and industrial capital. Adding these dimensions would be a useful way to increase the credibility of one or other understanding of Canada.

9.8 Re-mapping Canada
In any exercise where political-theoretical issues are addressed with empirical evidence, the usual outcome is that the evidence is reinterpreted in accordance with the political-theoretical assumptions held at the outset. This study is no exception. I largely found what I was looking for, namely facts and figures that can be cited to support my views about the kind of country Canada is, why, and what we should do about it. Of course, if political positions have any integrity they must be continually reassessed in light of opposing theories and new facts. For what it is worth, having addressed the issues in detail and considered the factual evidence, I feel more politically self-confident than when I began this study. The politics of Canadian nationalism are
complicated and always evolving, but we should never lose sight of the fact that they are rooted within one of the imperialist states that impose a profoundly unequal division in opportunities for life and happiness on this world.

If my evaluation of the evidence is reasonable, one theoretical implication of this study is that Canada is more like other advanced capitalist countries than is assumed by the Canadian political economy school. If so, this changes what we understand to be specific and unique about this country. A different theoretical model changes how, and why, various factors matter. For example, I suggested in Parts I and IV that more attention is due to land and less to staples in understanding early Canadian history. Another possibility is that instead of understanding Canada as an intersection of staples and class, perhaps we should think more about the intersection of class and nation. The relations of Native peoples, Acadians and Québec to the Canadian state present a profound challenge to Canada. We gain more ‘theoretical room’ for these issues if less room is occupied by staples and dependency.

I also suggested that definition of Canada’s national status influences the nature of analysis at regional and urban scales. It is often assumed that regional disparity in Canada is more severe than in other countries, and that this is connected to Canadian economic dependency. It may be more useful to discuss regional disparity in Canada as a spatial consequence of capitalist economics in general, rather than as a consequence of a particular, dependent form of capitalism.

Similarly, there are implications of Canada’s status for thinking about Canada and international political economy. The imperialist model provides a different appreciation of the nature and significance of ‘globalization’ than most other viewpoints. It understands ‘globalization’ to be less of a qualitative change than is often assumed. It also highlights how Canada is, and long has been, a major proponent in this process, rather than a reluctant participant.

This model points in a different direction than the tendency in the dependency model to assume that national states are a necessary line of defense against the pressures of ‘globalization’. A related question is whether globalization, and other extra-national forms of imperialism have effectively displaced the nationality of capital and national states as key units of political economy. What I take from this study is the need to still take the Canadian bourgeoisie and the Canadian state very seriously.
Chapter 1: Introduction

1 The NDP is a social democratic party that is party based on trade unions.

2 This statement by an executive of Embraer [the Brazilian aircraft manufacturer] was reported in The Globe and Mail article, “Brazilian government has much at stake in jet dogfight with Canada”, Feb. 9, 2001, p. B1. The Globe reported how, in Brazil, “Canada’s stance...smacks of hypocritical first world imperialism, of a developed nation trying to deny Brazil the tools it needs to build up companies like [Canada’s] Bombardier.”

The Canadian government escalated the trade war by banning imports of Brazilian beef, claiming there was a danger the Brazilian beef was infected by mad cow disease, an action that precipitated similar decisions by the USA and Mexico under NAFTA health and safety provisions. Fortunately, Canada was soon forced to retract this accusation, partly because Canadian government scientists publicly declared it was groundless, and linked the accusation to Canada’s “war” with Brazil over aircraft.

Canada and Brazil have each won decisions against the other’s trade practices at the WTO. The latest decision at this time of writing clearly upholds Brazil’s claim that Canada ‘illegally’ subsidized the sale of Bombardier jets to Air Wisconsin by guaranteeing loans of $1.7 billion through the Export Development Corporation’s secretive ‘Canada Account’ (“Ottawa braces for WTO defeat”, The Globe and Mail, October 18, 2001, B1).


4 The political economy approach rejects the pretensions of ‘objectivity’ claimed by neoclassical economics and the narrow definition of politics characteristic of political science. The Canadian political economy ‘school’ grew out of the marriage in the 1960s and 1970s between staples theory and neo-Marxist approaches, including Latin American dependency theory. See Wallace Clement’s introduction to Clement (1997).

5 Staples theory is associated with the work of Innis (1970 [1930]) and more recently with writers like Watkins (1963; 1997).

6 Daniel Drache (1983, 41) expresses this point in criticizing “metropolitan Marxists” for refusing to acknowledge that Canada is a “hinterland” economy, and consequently assuming that “the social relations in Canada can be studies as a variant of the general case of advanced capitalism…that the long-run trends in all bourgeois societies are significantly more important than their cultural, economic and institutional differences.”


9 As will be discussed in Chapters 5 and 6, finance capital is the form of capital associated with imperialism, based the monopolistic ‘coalescence’ of capital in industrial and financial sectors of the domestic economy.


I set aside for the moment the fact that some workers’ parties in Europe supported colonialism on the grounds that capitalism was a progressive development in ‘backward’ colonies.

Lenin extended the logic of Marx’s comment about English workers’ prejudice against the Irish, that “a nation that oppresses another cannot itself be free”, to insist on the unconditional right of oppressed nations to self-determination. He argued that the lasting unity of working people of oppressed and oppressor nations was only possible on this basis, e.g., by guaranteeing the oppressed nation the unconditional right to separation. This position was taken in opposition to views like those of Rosa Luxemburg (1970 [1918]), that all nationalism in imperialist countries expresses and reinforces bourgeois interests. It rejected Luxemburg’s assumption that the problem of national oppression would be resolved, more or less in passing, by the socialist economy.

The role of nationalist movements in Québec, of Acadians and Native peoples also differs in the two contexts. If Canada is imperialized, Québécois/e, Acadian and Native nationalism may be progressive, but they also represent possible points of Canadian vulnerability relative to foreign interests. However, in an imperialist Canada, Native, Québécois/e and Acadian national movements against political and social inequality are important aspects and potential allies of the working class struggle for socialism.

A negative expression of this relationship is the implausibility of the NDP in Canada forming a government in Ottawa without supporting and thus being supported by Québec. Despite the strong and politically-active labour movement and influence of social democratic ideology in Québec, the NDP has never been able to build a base there because of its support for the Canadian federal state.

These points are expressed in the pamphlet BC forest workers under attack, July 1981 (distributed by Pathfinder Press, Montreal).

See various issues of The Barker, newspaper of the Vancouver local (1-217) of the IWA between 1981 and 1985.

Unfortunately, this discussion has to rely on my memory of these events.

I recall hearing that IWA leader Jack Munro described spotted owls (an endangered species whose protection restricted logging in Oregon) as an “enemy of woodworkers”, who should be shot on sight, to avoid further stands of old-growth timber from being designed protected habitat. I was never able to confirm the accuracy of this statement, and it may well be exaggerated, but it does reflect the way some IWA leaders posed the relation between environmental and economic values.


The (Third) Communist International or Comintern was an international organization of communist parties initiated and politically led by the Bolsheviks [Communist Party] in the USSR.
Chapter 2: Popular and socialist views on Canada before the 1920s

22 The current CPC position dates from about 1948, when the CPC changed the approach taken in the previous two decades, and began to emphasize Canadian independence. In 1971, the CPC adjusted its 1962 claim that Canadian monopoly capital had effectively fused with US monopoly capital to argue that the Canadian bourgeoisie did still hold some independent imperialist interests. However, it describes Canada’s status as “contradictory” since it is “dominated by another imperialist country” (CPC, 1982, 283).

23 Quoted in Simms and Young (1990, 58).

24 The CPC’s official auto-history misleadingly claims that, “Communists had paid little attention to the question of Canada’s status until the late 1920s” (CPC, 1982, 60-61). It criticizes the nationalist approach the party advanced for a few years in the mid-1920s, but the CPC and its long time leader, Tim Buck falsely attribute this approach to North American exceptionalist views of party leaders who were later expelled from the party (CPC, 1982; Buck, 1977). North American exceptionalism refers to the idea that capitalism in Canada and the US had an ‘exceptional’ capacity to avoid the normal tendencies towards economic crisis. As a result, communist strategy should not pose socialism except as a goal in a far-off future. In fact, as I describe in Chapter 3, the strongest and most consistent proponent of the nationalist approach in the 1920s was Tim Buck. The party’s General Secretary, Jack McDonald, on whom it blames the policy, was not a prominent advocate. As Angus (1981, 226) notes, there is no evidence MacDonald was ever a North American exceptionalist.

25 The Comintern or Communist International was based in Moscow and largely controlled by the Communist Party in the USSR. I think it necessary to sharply distinguish between Stalinism and the communist politics associated with Lenin (until his death in 1924) and the majority of the communist leaders in the USSR in 1917, who, by the end of the 1920s had died or been eliminated by Stalin. I will briefly refer to some of the differences in Chapter 3; they are discussed in Angus (1981).

26 I have largely ignored the literature on Canada’s early history that has emerged in the last decade or so, and which adds a great deal to previous interpretations of the issues I discuss below, e.g., the labour studies journal Labour/Le Travail, Allan Greer’s research on the 1837-38 Rebellions (e.g., Greer, 1995) and the work of labour historians like Bryan Palmer (1992) and Gregory Kealy (1995). New material and ideas are always important to consider, but since one of my points is the contrast between ‘new’ Canadian political economy and previous socialist approaches it made some sense to limit my sources to material that was available when the ‘new’ school emerged in the 1970s.

27 Faced by the often-superior military force of European colonialism, Indian nations often sought to take advantage of divisions among the European powers, first those between the British, French, and Dutch, and later between the British and Americans. Ryerson (1960, 114) quotes an 18th century historian as writing that the Iroquois policy was “to hold the scale evenly balanced between the two nations [British and French], whose mutual jealousy made the Iroquois sought by both and ensured their safety”. Similarly, a New York official wrote, “To preserve a balance between us and the French is the great ruling principle of modern Indian politics” (Ibid.).

28 Of course, policies that were favourable to Indians were regularly reversed and abandoned as circumstances dictated. The recognition of Indian land rights in the Royal Proclamation was largely buried by subsequent colonial policy.

29 Orchard’s source was June Callwood, 1983, Portrait of Canada, Markham: Paperjacks, 62.

30 When U.S. General Montgomery attacked St. Johns New Brunswick, “the inhabitants greeted the revolutionary army, declaring in an address that they accepted ‘the union offered by our brothers of the colonies’ on the basis of ‘the same laws and prerogatives, proportional contribution, sincere union and permanent peace.’” (quoted in Ryerson, 1960, 212)
31 Tecumseh was killed when the British forces failed to support the Indian forces in a battle with the U.S. army. His death, and the scattering of Indian fighters following the war ended a powerful movement for an independent Indian federation. British promises of land for their Indian allies were only partly honored.

32 Other editions of this book include slightly different formulations, e.g., instead of "a democratic Canadianism" Ryerson refers to "a Canadian democratic spirit".

33 The explanation for the contradiction in his position lies in the purpose of this book. While some parts present a valuable materialist approach to Canada's early history, it also had a specific political purpose. As a then-leader of the Communist Party of Canada, Ryerson was trying to provide a pedigree that linked the Party's current support for Canadian nationalism to the early struggle for democracy against British colonialism.

34 The 1841 Act of Union gave the same number of seats to Upper Canada (Ontario) as Lower Canada (Québec), despite the population in Québec being larger at that time. Québec, which had been debt-free, assumed half of Ontario's debt. The 1841 Act eliminated the use of French in the united Assembly (though this was later reversed). A central issue of the 1867 Confederation was whether the new state would retain this centralized character or be organized on a federal basis, i.e. grant Québec separate provincial status. While the latter result was a concession to Québec, in more general terms the BNA Act denied any national status to Québec (and of course, to Native peoples, or to Acadians).

35 In Britain, the Corn Laws, representing the triumph of industrial over mercantile capitalists, were passed in 1846. Industrialists had little interest in the cost of maintaining colonies; they were more interested in lowering the cost of imports, including grain.

36 See Wakefield (1914). Wakefield apparently wrote the most important sections of Lord Durham's Report on the Affairs of British North America. His role is discussed in Goodwin (1961), and by Craig (1973) in his "Introduction" to Durham's Report.

Marx related the social 'creation' of classes to the "primitive accumulation of capital", especially the separation of peasants from the land, so they had no alternative but to work for wages. The enclosure movements were a major form for this separation, and Michael Perleman (2000) also highlights the role of the Game Laws and other forms of social control like poor houses.

37 Of course, restrictions on popular access to land, including speculation by capitalists and government officials, were also the central political issues in the US. However, the effect of these restrictions was presumably less than resulted from Colonial policy in Canada, although this has yet to be documented.

38 The Chicago-published International Socialist Review, published between 1901 and 1918, was a leading organ for the socialist movement in North America. As Penner (1977, 40) notes, there are relatively few contributions from Canada. They include three articles by an Ontario writer, G. Weston Wrigley in 1901, 1903 and 1904, one from Gustavus Meyer in 1913, and a 1915 article by Roscoe Fillmore of Nova Scotia, and a 1915 article by Grace Silver.

Wrigley was the leader of the Canadian Socialist League (CSL), which in 1900 reported 17 branches across the Dominion. It was a heterogeneous organization politically; Wrigley himself propounded a combination of socialism and Christianity. In his 1901 article on "Socialism in Canada", Wrigley does not mention anything distinctively Canadian about socialism in Canada, except to note its pedigree in earlier democratic struggles, writing, "[M]any of the descendents of the rebels of 1837 are taking an active part in socialist propaganda in 1901, the grandfather of the writer being one who had the honour of serving three months in jail as rebel" (quoted in Penner, 1977, 40).

39 The most prominent early socialist party in this country was the SPC formed by the merger of the CSL and the Socialist Party of B.C. in 1903. As Angus (1981) describes, the SPC prided itself on Marxist doctrinal purity, eschewing all struggles for reforms under capitalism. Its main base was in Western Canada and had sufficient support to lead the labour movement and elect several members of the B.C. legislature in early years of the 20th century. The Social Democratic Party (SDP) emerged in 1911 through splits from the SPC, mostly motivated by the latter's refusal at the time to cooperate with other forces in the workers movement, or to advance any kind of
immediate demands. The SDP tolerated a greater range of views among its members, from Marxism to Fabianism. Penner (1982, 46) writes that, “the platforms of the two socialist parties [SPC and SDP] were quite similar. Both were mainly based on general statements from the Communist Manifesto, with no attempt make to speak in specifically Canadian terms.”

The early socialist movement in Canada was primarily working class in social composition (Penner, 1977). While some socialists were active in the leadership of farmers’ organizations (e.g., see Lipset, 1971, 99-100), the agrarian movement was more populist than socialist. Penner points out it mainly attacked the evils of capitalism rather than the system itself. “Its chief enemy was the monopoly form of capitalism which it regarded as an aberration of the principles of competitive and free-trade capitalism” (Penner, 1977, 174).

40 The cover lists circulation as over 30,000 weekly.

41 The one-third number is apparently based on the fact that that since Canada had one-thirteenth of the population of the US and its total wealth was an estimated $131 billion, a generous estimate of Canada’s wealth of $12 billion would mean this group controlled one-third of this total.

42 The list is not claimed to be exhaustive, as it reported many companies did not make such information public, and up-to-date information was not always available. It noted that other studies might have made the list of 42 men longer or shorter, as around the “…Canadian aristocracy a fringe of men…” are always “…striving, some of them successfully, to gain admittance to the charmed circle…”; meanwhile, “…every few days sees a new merger accomplished, and this means that a number of men who have been presidents and directors of companies become uninfluential shareholders of a larger merger.” (Grain Growers Guide, 1913)

43 At the beginning of the article, the author also specified that, “It is not all their own money, however. It represents their own wealth invested in private and public companies and the wealth of other which is in their hands and under their control.” As exceptions to the pattern of control by the 42, it notes this group holds only two of eight seats on the Bank of Nova Scotia and two of nine in the Hudson’s Bay Co, while English investors are identified as holding the chief interest in the Grand Trunk Railway. (Grain Growers Guide, 1913)

44 For example, CPR directors are listed as Presidents of the Royal and Dominion banks and directors of Imperial and Molson banks, and Presidents of the Royal Trust Co. the Montreal Trust Co. and the Canadian Northwest Land Co. CPR directors are also identified as directors of the Imperial and Sun Life Assurance Companies, the Steel Company of Canada, the Dominion Steel Company of Canada, Olgivie’s Flour Mills, the Lake of the Woods Milling Co., Bell Telephone Co., Canadian General Electric Co., Winnipeg Electric Railway Co., and “many [other] mining and manufacturing companies.” (Grain Growers Guide, 1913)


46 It should be noted that the political analysis in the Grain Growers’ Guide article is more radical populist than socialist. An editorial-style article accompanying the study itself is even more clearly populist in tone, emphasizing that it challenged only wealth gained through speculation and privilege, not private property itself. This political coloration does not alter the significance of the analysis.

47 Of course, this assumes that the $4 billion did not include foreign capital, and we know some was foreign. It also assumes this figure is denominated the same way as the $2.64 billion figure, while in fact the $4 billion represents assets (book value) and the $2.64 billion is likely the amount invested, i.e. it would not include the domestically-
owned share of assets or other debt. At issue here is also whether government borrowing is included in these figures. For example, the latter may be why Levitt’s (1970, 66) figures from the Canadian government indicate that in 1913, UK direct investment was $200 million with another $2,618 in portfolio investments, while the US was $520 million direct and $315 million portfolio, of a foreign investment total of $770 million in direct and $3,850 in portfolio investments. Roughly similar proportions of US and British capital are quoted in Taylor et al. (1976, p. 299): British direct investments in Canada in 1912 totaled $2,417 million, while those of the US were $645 billion (and of other countries $137 million).

Meyers’ figure of $2.64 billion was divided among British capital of $2 billion, with $140 million from continental European countries, and $500 million from the US, of which $180 was represented in 300 branch factories (Meyers, 1972 [1913], xxxiii). Knox (1976) [1935], 299-300) quotes data from Viner (1976, [1924]) indicating that in 1913 British capital invested in Canada totaled $3.793 billion, US capital $0.780 billion, and other foreign capital $0.180 billion for a total of foreign capital invested in Canada of $4.735 billion. Of this, $0.689 billion was in government securities, $1.2994 billion in railway securities and $1.5401 billion in all other forms of investment. Viner estimates that interest and dividend receipts on Canadian capital invested in other countries in 1913 was $8.7 million, calculated on the assumption of a 4% return on investment, which would mean the capital amount in question was $217.5 million (as compared to a little over half a billion dollars in assets controlled, according to the Grain Growers’ Guide study).

While I want to limit my discussion in this section to socialist positions in the first 2 decades of the 20th century, it is worth noting the ongoing influence of this study. It clearly inspired a classic CCF pamphlet called Who Own’s Canada? written by Watt Hugh McCollum (1947), and published in several editions from 1934 onward. The Grain Growers’ Guide study is not mentioned in the classic studies of directorships and corporate control by Porter (1965), Clement (1975) or Carroll (1986). It is discussed by writers with a background in the Communist Party like Park (1973 [1962]) and Penner (1977).

The 1947 edition of Who Own’s Canada reports that,

One hundred great corporations dominate Canadian industry! Fifty Canadian “Big Shots” hold in their hand the fate of these great corporations – and many more. Through these companies they control the lives and fate, not only of twelve million Canadians, but also millions of Brazilians, Mexicans, Spaniards and Frenchmen. (McCollum, 1947, 2)

The 100 corporations were reported to account for 86.9% of total corporate assets. The ‘50 Big Shots’ were on Boards of Directors of 425 Canadian corporations who accounted for 76% of total gross assets of all Canadian corporations. Fourteen of the 50 were directors of the CPR, and 45 were directors of Canada’s eight chartered banks. Of the 50, 4 were born in the U.S., and five others were “foreign born’. All were of British stock: “ ...there is not a Jew among them.” (Ibid., 8)

McCollum wrote:

So often artificial distinctions are drawn between “National Capitalists” who are good and “International Capitalists” who are presumably bad; and between “Industrialists” who are supposed to be productive and beneficial, and “Finance Capitalists” who are parasitical and harmful. Fomenters of national discord and racial hatred attempt to accentuate the racial and religious differences among Canada’s population. Most important, they attempt to distract attention from evils which affect all people, regardless of creed, origin or place of birth...The bitter experience of the past should teach workers and consumers alike to be on guard when capital wraps itself in a flag and exploits patriotism...Any attempt to picture Canadian-owned and controlled capital as a domestic tabby cat as compared with the ravenous Bengal tiger of foreign capital should be treated with healthy skepticism. They belong to the same species and have similar claws. (Ibid., 9)

A chapter on the utility industries in Canada notes:

Thus the giant power corporations of Canada control not only the major portion of Canada’s developed power resources, but also the power supplies of Brazil’s 41 million inhabitants, a considerable portion of Mexico’s sixteen and a half million people. And the major portion of the urban population of northern and eastern Spain, Bolivia, San Salvador, Venezuela, Newfoundland, and British Guiana. (Ibid., 33-34)
McCollum noted that, “Many of the most important monopolies in Canada are in the hands of subsidiaries or affiliates of the United States Corporations, while control of others is shared by parent companies in Great Britain and the United States.” (Ibid., 85) But he argued that, “Canada is way ahead of its bigger neighbour when it comes to concentration of control”, noting that, while, “200 non-financial corporations in the U.S. possess 49% of all non-banking corporate assets, in Canada one hundred non-financial corporations possessed more than 85% of all non-banking assets. Oh Canada!” (Ibid., 91)

In short, this pamphlet repeats and extends the themes of the 1913 Grain Growers Guide article, notably, an extreme concentration of wealth; that a small aristocracy of men control most Canadian corporate wealth through their positions in a closely knit network interlocking directorships, most are Canadian, and the extent of Canadian investments in Latin American and other countries. McCollum differs in clearly opposing the suggestion in the Grain Growers Guide that only monopoly capital is parasitic, such as in this argument clearly aimed at populism:

As long as private monopoly ownership of the means of production, distribution and exchange exists, no government, whether Liberal, Conservative or C.C.F. can control it, but the 50 "Big Shots", no matter who they are at the moment, will control the government...It does not matter if those who control the means by which we live sitting on the boards of directors of these companies lead good or evil lives, are Canadian or foreign...etc....Prohibition of mass buying, or interlocking directorates and of stock-watering is of no avail. There is always some way of evading the spirit of the law whilst keeping within the letter, especially when the best legal talent in the land can be hired for a price.” (Ibid., 94)

49 The end of the book states that a second volume would follow. In his introduction to the 1972 edition of Meyer’s book, Ryerson stated that Daniel Drache contacted Meyer’s widow in the United States, and that she reported the second volume was never produced.

50 Ryerson also writes that Meyer’s “treatment of the 1837-38 insurrections in terms of the bourgeois revolution...remains a landmark in historiography” (in Meyers, 1972, xvii).

Chapter 3: The Communist Party of Canada on Canada

51 Angus (1981, 37) describes how an earlier “Communist Party of Canada” was proclaimed in 1918 or 1919 but many of those involved were arrested and some were deported.

52 The best description of this process is provided by Ian Angus, 1981, Canadian Bolsheviks, Montreal: Vanguard Publications.


54 For a description of the Comintern Fonds collection, see George Bolotenko, 1996, “The National Archives and Left-Wing Sources from Russia: Records of the Mackenzie-Papineau Battalion, the Communist Party of Canada and Left-Wing Internationals”, Labour/Le Travail, 37 (Spring 1996), 179-203.

55 My own research on the Comintern Fonds was confined to two and half days of intensive reading of microfilm copies in the National Archives in Ottawa. Using the “Finding Guide” provided by the Archives (National Archives, 1995) I selected the reels most likely to contain information relating to this debate (in other words, that concerned the Communist Party of Canada, the Young Communist League and other party-related organizations). I reviewed the documents in these reels and took notes on points that seemed relevant to this exercise (copying of these materials is not permitted by the National Archives). The Comintern Fonds microfilm reels reviewed were (MG 10 K 3) Reels K: 269-1, 270-2, 271-3, 273-5, 273-6, 273-7, 273-8, 273-9, 273-10, 273-11, 273-12, 273-13, 273-14, 273-15, 273-16, and 273-24.

Given the limited time and available and restriction on making copies, this research was exploratory rather than systematic. The documents were distributed between a number of reels, often were not in any particular order,
sometimes contained no date or author, and some were in Russian, German or other languages not accessible to me. I lacked a clear chronology of the various meetings and events to which the documents referred, making it difficult to identify some authors, meetings and other events. I cannot guarantee the accuracy of quotes from the Fonds, as I relied on various shorthand expressions when taking notes.

56 Undergroundism is the idea of a communist movement as necessarily illegal and even conspiratorial. Taking advantage of bourgeois-democratic rights to openly express opinions and organize for social change is considered essentially reformist; ‘real’ revolutionaries maintain an ‘underground’ party and only operate in public through ‘front’ organizations.

57 On these points see Ian Angus, 1981, Canadian Bolsheviks, Montreal: Vanguard Publications.

58 The two papers were The Western Clarion and The BC Federationalist. The editor of the latter paper was charged with sedition as a result, but the charges were eventually dropped (Angus, 1981, 109).

59 Documents from the Comintern Fonds will be cited in the text and not listed individually in the bibliography.

60 This copy of The Communist in June 1921, includes this handwritten note in the corner: “To Comrades Lenin and Radek, fraternally yours, [Charles] Scott”. According to Angus (1981), Scott was the Secretary of the American Agency of the Comintern, who had been assigned by the Comintern to convince the communists in Canada and the United States to each unite in a single party.

61 These positions are consistent with the general approach taken by Lenin in his 1917 pamphlet, Imperialism, the Highest Stage of Capitalism (Lenin, 1977b), and in the resolution that he presented to the 1920 Second Congress of the Communist International on “National and Colonial Questions”. In his remarks to the Second Congress Lenin states:

> The characteristic feature of imperialism consists in the whole world, as we now see, being divided into a large number of oppressed nations and an insignificant number of oppressor nations, the latter possessing colossal wealth and powerful armed forces.” (“National and Colonial Questions”, in John Riddell (ed.), 1991, The Communist International in Lenin’s Time, Volume 1, Workers of the World and Oppressed Peoples Unite! New York: Pathfinder, p. 211-212)

Lenin’s second main point was that “In this age of imperialism, it is particularly important for the proletariat and the Communist International to establish the concrete economic facts and to proceed from concrete realities, not from abstract postulates, in all colonial and national problems” (Ibid.). These “concrete realities” distinguish the various categories of countries. For example Lenin distinguishes between oppressed nations in “direct colonial dependency” from “the semi-colonies, as for example, Persia, Turkey and China” and from others who, as a result of being “conquered by some great imperialist power, have become greatly dependent on that power by virtue of peace treaties” (Ibid.).

Similarly, in Imperialism, Lenin (1977, Vol. 39, 258-59) divides the world between the “6 great powers” (Great Britain, Russia, France, Germany, United States, Japan) and two other groupings that are distinguished from each other. The first group is the colonies of the great powers and of other European countries (e.g. Belgium and Holland). The second group is the “semi-colonial countries” (Persia, China, Turkey), that “provide an example of the transitional forms which are to be found in all spheres of nature and society”. A few pages later he returns to the issue of these transitional forms:

> Since we are speaking of colonial policy in the epoch of capitalist imperialism, it must be observed that finance capital and its foreign policy, which is the struggle of the great powers for the economic and political division of the world, give rise to a number of transitional forms of state dependence. Not only are there two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence. We have already referred to one form of dependence -- the semi-colony. An example of another is provided by Argentina... A somewhat different form of financial and diplomatic dependence,
accompanied by political independence, is presented by Portugal...an independent sovereign state, but actually, for more than two hundred years...a British protectorate (Ibid., 263).

Lenin did not address Canada's status in Imperialism or during the discussion at the Second Congress. However, his “Notebooks of Research for Imperialism” suggest that he thought Canada was in transition toward an independent status within the system of world imperialism. Referring to a 1912 book by R. Redslob, Dependent Countries, he wrote that,

...the author cites interesting excerpts from laws indicating growth of independence in these British Colonies [Canada, Australia, South Africa], which have almost attained the position of free countries. Nevertheless they are dependent countries, says the author, since they do not enjoy full freedom (though development is obviously in that direction). (Ibid., 247, emphasis in original)

A similar indication of Lenin's opinion about Canada is this quote from Engels' letter of Sept 12, 1882 to Kautsky distinguishing between the trajectory of the white settler colonies and other colonies:

In my opinion the colonies proper, i.e. the countries occupied by a European population -- Canada, the Cape, Australia -- will become independent; on the other hand, the countries inhabited by a native population, which are simply subjugated -- India, Algeria, the Dutch, Portuguese and Spanish possessions -- must be taken over for the time being by the proletariat and led as rapidly as possible towards independence. (Ibid., 671-72), emphasis in original)

Given that Lenin associated monopoly and the bourgeoisification of the working class with the imperialist stage of capitalism, it is also relevant that he notes both characteristics in relation to Canada. In his note on “The Labour Movement in Canada” (Ibid., 593-4) Lenin quotes a report in a 1913 Die Neue Zeit that “The skilled, and especially the English-speaking, part of the working class [in Canada] is completely bourgeoisified.” Lenin also notes this newspaper's reference to an article by Gustavus Meyers about conditions in Canada: “This is beginning to change: a spirit of discontent...rising living costs...Today 42 men actually control more than a third of the country’s total wealth...The petty bourgeoisie, especially in agriculture, is against the trusts.” (Ibid.)

Angus (1981, 168) states that (prior to 1924) “The Comintern had explicitly characterized Canada as an imperialist power in several major resolutions and statements, and Communist Party policy in Canada had been consistent with this...”. Angus does not identify where the Comintern describes Canada as imperialist this early in the decade, and there are several examples where Canada is instead partly described in terms of colonial linkages. For example, the July 1921 “Theses” adopted by the Third Congress of the Comintern (drafted by Trotsky), in the course of discussing the prospects of different groups of countries, state:

The transoceanic countries which export raw materials, including the purely colonial countries (South America, Canada, Australia, China, India, Egypt and others) have in turn utilized the rupture of international ties in order to develop their native industries. The world crisis has now spread to these countries as well.” (“Theses of the Third World Congress on the International Situation and the Tasks of the Comintern”, (in Adler, Alan (ed.), 1980. Theses, Resolutions and Manifestos of the First Four Congresses of the Third International, London: Ink Links.).

Similarly, at the Fourth Congress in December 1922, the resolution on the Versailles Treaty stated,

The United States, the strongest imperialist power, has finally turned its back on the peace treaty and is trying to consolidate an independent policy of world-wide imperialism. To achieve this aim, it has enlisted the support of important sections of the British Empire - Canada and Australia. (in “The Versailles Peace Treaty”, Ibid., 384).

Canada's status is only addressed in passing in these resolutions, but it seems that this country was often still viewed in terms of its colonial status, rather than the imperialist status that Angus suggests.

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62 Articles from The Worker will be cited in the text, but not separately in the bibliography.

63 The Workers Party was the public or 'legal' arm of the 'underground' CPC until the two were officially merged a couple of years later.

64 This article by H.T. Rathbone, reprinted from Labour Monthly (no date given), reflects other aspects of the effort to understand the specificity of Canadian capitalism. It notes the “anomalous” position of this country, in particular that 40% of the population were French-Canadian, had not been absorbed into the population of other European
immigrants, and remain heavily agricultural and petty landowners. Canada is also described as an artificial entity in geographical terms, in that hardly any of its borders were based on natural features.

65 There is no date on this report but from internal evidence it seems to be in 1923.

66 It cites the December 1923 The American Economist as the source of this data.

67 An possible indication that the CPC was in the process of changing its approach is that, shortly after this editorial appeared in The Worker, the paper printed the first and second article in a series by Bartholomew (to be discussed below), which explicitly argued that Canada was an imperialist country. The next (and last) article in this series was labeled number five (on September 27; 1924). It would seem that The Worker did not print the third and fourth articles. There is no indication in this 5th article that it was meant to conclude the series. The content of the fifth article does follow logically from the second (each begins about a major bank), so it is possible that it was mislabeled number five instead of number three. If not, it is possible the missing articles and abrupt curtailment of the series reflected political disagreement with Bartholemew’s approach, which clearly emphasized the imperialist character of Canada, and on the basis of which it would be politically difficult to justify the ‘Triple Master Class’ approach or similar formulations hinting of Canadian nationalism.

68 It is possible this perspective reflected the influence of one of the socialist organizations whose former members joined the CPC in 1921, namely the Socialist Party of North America. Maurice Spector, the editor of The Worker had been a member of the SPNA, whose name illustrates the continental perspective.

69 It is not clear what Bartholemew’s role in the CPC was. His lengthy and programmatic-type articles on Canada’s economy and the communist approach to farmers would almost certainly have reflected discussions by the party leadership, although it does not appear he was a member of Political Committee. In the late 1920s, Bartholemew edited a CPC-aligned farmers newspaper, The Furrow. He evidently did not always agree with the CPC leadership, as CPC Political Committee minutes refer to several political and organizational conflicts and possible disciplinary action as a result of his activities with The Furrow (e.g., see “Minutes of the Political Committee, May 17/26”, CF Reel 273-6). Bartholemew was also apparently involved in developing party policy about farmers in the late 1920s. He may be the person named ‘Clarke’ with whom the CPC ‘Lenin student’ in Moscow, ‘Porter’ [Leslie Morris] corresponded on these issues. Given that, at the time, Porter was also trying to convince the CPC leadership that Canada was an imperialist country rather than a colony, it also seems possible their correspondence would have addressed this issue as well, although there is no evidence of this. Bartholemew reportedly committed suicide in 1930, possibly because of having been accused of homosexuality (Manley, John, 1997, “Does the International Labour Movement Need Salvaging? Communism, Labourism, and the Canadian Trade Unions, 1921-1928. Labour/Le Travail, 41 (Spring 1997), 147-80).

70 Vol. LVII No. 28.

71 The Canadian Bankers Association is described as having evolved into an executive processing tremendous powers. “This body of 22 men controlled assets of over $3,000,000,000 (Canadian Annual Review, 1921, p. 56.” (H.M. Bartholemew, “Banks, Bankers and Legislatures”, The Worker, January 1, 1923)

72 In the previous article in the series discussing the corporate grouping centered around the Royal Bank of Canada, this bank is described as part of the “group of Canadian capitalists which, with its grip on industrial Canada and its connections with British Imperialism, constitutes the stalwart standbys of British industrial supremacy against the astute Morgans and Garry’s” (“Cotton, Power and Gold”, The Worker, February 1, 1923). In contrast, in an article the following year, the Royal Bank is instead described as having close links with US financial interests (namely “J.P. Morgan, Rockefeller and Vanderlip”), and allied with them in the conquest of Cuba and other Latin American economies. (“Is there Canadian Imperialism? Article No. 2,” The Worker, Aug.30, 1924) Despite this apparent contradiction, the point here is that Bartholemew considered it important to state that, in this period, Canadian capitalists were primarily associated with British rather than US capitalists.
The early CPC ignored the issue of national oppression of Quebec and Natives within Canada, an issue that might have provided the basis for a possible alliance between workers and farmers in Canada and nationalist movements (and so even some non-exploited class forces) against their common opponent, the Canadian state. Had the early CPC approached the issue of Quebec in terms of an anti-imperialist alliance this would probably have reinforced the political focus on the Canadian bourgeoisie and state, and further discouraged (English) Canadian nationalist perspectives.

In this article, Bartholemew also argues for a federated Farmer-Labour Party, composed of farmer and labour organizations.

Regarding the “older imperialist boss in Canada” it argues that the “task of every Communist should be to stand by the claim for self-determination for every part of the Empire” in its sense of complete independence from Britain (“Our Triple Foe”, The Worker, July 26, 1924.)

This article was reprinted from the Federated Press (no date given).

It is ironic that Buck argues that the Toronto electric workers “could have won easily by a strike” instead of trying to use the minimum wage regulation. If this were true, it would not be the BNA Act that harmed them as much their illusions that such regulations provided an alternative to strike action.

An article about the federal election put it this way: “Workers and farmers of this country may honestly welcome the approval of an independent Canada...[that would]...mark[s] a step forward along a path which the working class of Canada must, up to a certain point, perfec[re] following along with the bourgeoisie.” It goes on to say that, “Of course, class conscious workers know that under the profit system it’s ‘Canada for the capitalists’ whether Canada takes that step towards independence or not.” (“Make it Canada for the Workers”, The Worker, July 24, 1926) If this was true, readers might well wonder why workers would feel they had a stake in independence.

Two further illustrations of Penner’s point can be cited. An editorial sub-titled “Canada is not a Free Nation” argued that the “most dangerous” of the various elements opposing independence “maintain that Canada is already free to do what she pleases, has all the autonomy she needs”. While it was true that the British empire was disintegrating, it is a “far cry from this observation to claim nationhood” since Canada was not even thoroughly autonomous, as foreign bodies retaining the last word on judicial issues, entering war, and amending the constitution. (“Canada is not a Free Nation”, The Worker, April 10, 1926) Another article reported that the “nationalist constitutional lawyer”, J.S. Ewert, had argued that while Canada could achieve independence if it wished by simply demanding such status, he had offered detailed legal reasons why it was false to believe this had already occurred by virtue of membership in the League of Nations and Canada’s separate signature on the Locarno Treaty. (“Canada’s Status Not That of Independent State, Says Ewert”, The Worker, June 12, 1926. An article described the vote in Parliament to require its approval of foreign treaties as “a step in the direction of Canadian independence.” (“Parliament Takes Half-Step Towards Canadian Independence From British War Entanglements”, The Worker, July, 3, 1926)

Buck’s admission is in his Lenin and Canada, Toronto: 1970, p. 71-72. A 1926 editorial in The Worker noted that in response to the Senate’s rejection of an Old Age Pensions Bill, the Toronto Trades Council had voted to demand the abolition of the Senate and the annulment of the BNA Act. It argued these two demands provided a broad platform around which to unite workers, farmers and middle class people against the reactionary forces who opposed to social legislation. (“The Senate and the B.N.A. Act”, The Worker, July 3, 1926)

The article points to how the division of powers in the BNA Act was used against workers. However, most of the other arguments are ‘anti-imperialist’. It notes the Dominions help buttress British colonialism in India, while serving as a reserve for recruiting the cannon fodder for imperialist wars. Independence is also motivated by the need to avoid fatalism in the face of the increasing penetration of American Capital, pointing out that Mexican revolutionaries had not resigned themselves to annexation by the US. The article ends: “For these reasons the

The editorial also calls for a Constituent Assembly to form a new Constitution, which would replace the BNA Act. This is consistent with the new idea that independence would be achieved without socialism.

In the same issue of The Worker, an article outlining the different parts of the British Empire distinguishes the “[F]ive self-governing Dominions of Canada, Australia, South Africa, New Zealand and Newfoundland...who...are each capitalist nations with interests of their own not necessarily identical with those of the “mother country” from the other parts of the Empire: “Possessions” like India and Egypt; naval stopovers and strategic key points like Gibraltar; and “dependent states” like Portugal and Argentina, which while not formally part of the Empire are in practice intimately connected to British interests. (“The British Empire - The Sun Never Sets on It - Wages Never Rise in It”, The Worker, August 8, 1925) While continuing to distinguish types of British colonies, the CPC was beginning to erase the differences in political implications, by adopting a common strategy of independence.

Another example of this tension is evident in an article, “The Anglo-American Rubber Conflict” by Maurice Spector. It illustrates the increasing attention to anti-imperialist themes in The Worker, while still acknowledging the important differences between Canada and other colonial countries. The article discusses the growing inter-imperialist conflict resulting from American opposition to price-fixing via export duties on British-controlled Ceylon and Malay rubber producers. Spector emphasizes the growing danger of inter-imperialist war, and the need to avoid being dragged into support for one or the other group of exploiters. He writes:

Labour can then assure itself success in the struggle for social emancipation and world peace by making an ally and partner of thitherto despised Eastern Coolie through the battle cries of Independence for Colonial peoples and international trade union unification of the workers of East and West. (“The Anglo-American Rubber Conflict”, The Worker, August 29, 1925)

In this connection, it is worth noting a later comment by one of the three main proponents of the CPC’s nationalist positions in the mid-late 1920s. The three were Maurice Spector, often referred to as the party’s ‘theoretical leader’, trade union secretary Tim Buck, who would later assume chairmanship of the Party, and Stewart Smith, the head of the Young Communist League. In a 1986 interview, Stewart Smith stated that “his interest [in the 1920s], shared with Spector and Buck, was to ‘Canadianize’ the CPC, to point out the conditions that were different in Canada from Britain in the United States, and to base the Party’s tradition on the peculiarities rather than the similarities.” (Penner, 1988, 87n) This suggests that Smith was primarily concerned with domestic political economy. However, Smith was probably also the most enthusiastic proponents of the Comintern’s emphasis on the ‘war danger’, i.e., of an inter-imperialist war between Britain and the US. There was very little political basis in Canada for such a position.

The resolution goes on to state that “At the same time the party will oppose all secessionalist tendencies as are manifested by the Maritime Rights Party and the Western Party as merely petit bourgeois panaceas, and will expose such petit bourgeois white guard movements as the Native Sons of Canada.” In his Political Report, Spector similarly stated, “The party must take a decided stand on the matter of Canadian independence and demand the abolition of the B.N.A. At the same time the party must oppose all secessionist tendencies, as are now raising their heads under cover the Maritime Rights Party and the Western Party, and raise aloft the banner ‘A Workers and Farmers Republic’”. Spector stressed the consolidation of finance capital in Canada. He reported, “The grip of finance-capital on Canadian industrial life is more apparent than ever. Merger has followed merger. The amalgamation of the smaller banks by the big “four”, the trustification of such industries as the steel, asbestos and mining; the rapid growth of the chain stores at the expense of the small business men are evidences of this process.” He also noted that, “[T]he past year has witnessed the increasing penetration of the economic life of the Dominion by American Imperialism.” (“Proceedings of the Fourth National Convention of the Communist Party of Canada”, CF Reel 273-5)

Under his report to the Fourth Convention, Moriarty stated that the ECCI believed that, “Canadian independence is our main problem. In spite of Americanization British Imperialism is our chief enemy. We must demand the
abolition of the British North America Act. We have not been appreciative of the political situation...” (“Proceedings of the Fourth National Convention of the Communist Party of Canada”, CF Reel 273-5)

In an “Organization Report” to the ECCI in Moscow sometime later, Tim Buck attempted to distinguish between the positions of the two bourgeois parties, while also describing independence as a working class issue:

In perspective the central political struggle for the Communist party is the struggle to develop the movement for Canadian independence. A the present time the Liberal Party representing the petty-bourgeoisie, the more prosperous farmers, and certain of the exporting industries (American capital) are considered as the anti-British party. Essentially, however, this role belongs to the Conservative Party which is the party of heavy industry, the railways and finance capital. This party, while blatantly imperialistic in its popular propaganda, has a consistent national policy on the economic field which is aimed equally against Great Britain as against the United States. Therefore while the Liberal Party [illegible] its struggles to free Canadian capital from entanglement in British foreign policy, is compelled by the interests of its principle supporters to strive for Empire preferences, etc, the Conservative Party bases its principle activity upon combating these very measures.

Essentially, however, the struggle for independence is a struggle of the workers and the poorest farmers. It is the task off mobilizing these and concretising an immediate objective in the struggle than confronts the Party today...... (“Organization Report”, no date, CF Reel 273-5).

Angus quotes Buck as writing that “The issue that should overshadow all others in the forthcoming election, is the one created by Byng: is Canada to slip back to the position of Egypt, or are we to throw the British North America Act overboard? Is Canada to become really self-governing, or is it to remain the stamping ground of jobless underlings of British aristocracy?” (quoted in Angus, 1981, 169)

The reference here to Bourassa in this editorial was one of the few occasions when the CPC connected the question of Quebec to its support for Canadian independence. On this point it stated:

The question of the cultural and linguistic liberties of the French-Canadians is one the workers will treat more sympathetically than the capitalists do. The historic situation in Canada will be recognized. The French-Canadian masses will have their liberties assured then under any new constitution the workers have anything to do with. (“Is this Self-determination?” The Worker, July 31, 1926).

Most of the CPC’s members and supporters in Québec were Jewish; the party had very little contact with francophone workers. It is not hard to see why the “French-Canadian masses” might find the CPC position a little less than inspiring. It mentions cultural and linguistic “liberties”, but fails to spell them out, to define them as national rights, or to place them within the right of the oppressed nation to self-determination. For example, it fails to spell out how the “historic situation” (which probably refers to the conception of Confederation as a federation of two nations) would be addressed to Québec’s satisfaction, given that one of the motives for the CPC’s constitutional policy was the need for a more centralized federal state that could over-ride provincial objections to progressive labour and social legislation.

In this connection, an interesting item in the Comintern Fonds (Reel 98-8) is a May 25, 1923 letter from the ECCI Secretariat to the CPC regarding a letter they had received from a group of 15 communists in Montreal, requesting recognition as section of the Third International (in other words, presumably a separate, Québec section). It seems this group had decided against joining the CPC, although it seems to indicate that one of the signers, a Comrade Paquete, was also a CPC member.

Other examples of the CPC positions can be cited. An article titled, “Canadian Capitalism will Celebrate Sixty Years of Power” in The Worker of May 28, 1927 noted, “Canada’s history is not that of a nation but a colony or subject territory.” While from a “capitalist point of view” Canada is self-governing, independence and nationhood “cannot be attained until complete separation from the British Empire takes place.” An editorial entitled, “Canadian Independence” in The Worker of July 2, 1927 claimed that, “The Communist Party has to its credit that is was the first and still the most energetic working class protagonist of the demand for the Independence of Canada.” It goes on the repeat that the “attainment of national sovereignty is bound up vitally with everyday problems of class
struggle in Canada, whether these are over questions of imperialist war, social legislation, or the status of the trade union movement."

89 The letter is not signed by the Secretariate but is in a similar format as previous letter from this source.

90 This strategy was an explicit rejection of the perspective of building alternative ‘revolutionary’ unions, like the One Big Union (OBU), which had previously been a major force in the radical movement in Western Canada.

91 The labour movement went into a period of political decline. Another aspect of the CPC policy was that the TUEL was re-oriented towards “organizing” (see CPC, 1981). In other words, the CPC embarked on a sectarian, substitutionist campaign to organize unions itself, instead of fighting from within unions for the labour movement as a whole to carry out this task (and within that framework, taking its own initiatives as opportunities arose).

92 An editorial in The Worker criticized opponents of trade union autonomy in Canada who argue that “since capital crosses the border, the workers of Canada should necessarily be organized in the American Federation of Labor”, an organization (and not just its leadership) that it characterizes as “the handmaiden of the United States government.” Since communists “stand for the complete independence of Canada from the British Empire and equally from the American empire”, it urged the unification of the TLC and the ACCL into an all-inclusive trade union central with “full…powers”. (“Canadian Independence”, The Worker, July 2, 1927) This formation makes it clear that ‘trade union autonomy’ no longer meant autonomy within the AFL; in the absence of real motion within the TLC in this direction, it could only mean autonomy outside the AFL, i.e., in the ACCL.

93 In reply, Foster pointed out that workers in Canada and the US spoke the same language and were generally were more closely linked that workers in Mexico and the United States. He noted there were many workers who crossed the border each day to work. (“Minutes of the CEC, March 14, 1926”, CF, Reel 273-6)

94 Like the RILU leaders, this article ridiculed Foster’s argument about the trade union implications of economic integration between Canada and the US. It stated that Foster implied that “neither should British workers support the building up of the separate Indian National Trade Union Movement, because of investment there by British capital.” The comparison here of Canada’s relation with the US with that of colonial India with Britain makes is further evidence that the premise of the CPC trade union policy was, like the communist policy in India, a national struggle against imperialism.

95 These were well-known communists in the international movement. Roy was of Indian descent (later he was a member of the Mexican section) and had worked with Lenin on ‘National and Colonial’ policy at the Second Congress of the Comintern. Murphy was a communist union leader from Britain.

96 McLaughlin had been convicted and jailed for two years on charges of sedition for leading the UMW strikes.

97 The trade union policy in the mid-1920s can be described as ‘right-wing’, in supporting Canadian nationalism. By the end of the decade, it was the ultra-left ‘Third Period’ policy that dominated the CPC. In the July 1928 issue of The Canadian Labour Monthly Tim Buck (1928) denied accusations that the CPC advocated a Canadian-only union trade union central. He claimed the CPC favoured one central which all unions, including those in the AFL could join. However, Buck also went on to denounce the AFL as a “direct and active tool of United States imperialism” and that “the fight of Canadian workers against US imperialism involves also a determined fight against the supporting activities of the AF of L”. To “fight effectively”, he argued, “the Canadian Labour movement as a whole must win complete independence from the AF of L and stand as an independent entity.” (Ibid.)

By this time an increasingly ultra-left CPC was involved in leading union splits from the Hatmakers union, the Furriers union, the International Ladies Garment Workers Union (ILGWU) and the Amalgamated Clothing Workers to form the Industrial Union of Needle Trades Workers under the leadership of CPC member Joe Salsberg. The consolidation of craft-organized workers into industrial unions was certainly a long-established communist goal. However, in 1930 the CPC actually opposed a major organizing drive in Toronto by the ILGWU, a largely industrial union which organized most workers in garment shops, as well as undermining its general strike the next year (see 307
Angus, 1981, 283-85). In 1930 the CPC’s policy was to “SMASH the UMW” in Nova Scotia and build the Industrial Union (from a letter by Tim Buck to the CPC organizer in Nova Scotia, quoted in Angus, 1981, 280). As Angus writes, “the Communists walked out of the UM, creating the Amalgamated Mine Workers of Nova Scotia... a step that was directly contrary to the policy the party had defended through most of the decade.” Five years later, they would liquidate the new union back into the UMW.

The CPC also formalized the change in policy by establishing a new trade union central, the Workers Unity League (WUL), and shifting its efforts into building this so-called ‘revolutionary’ union central. As Angus (1981, 285-86) writes, time and time again the WUL was characterized by a combination of adventurist tactics and sectarian refusal to cooperate with other labour organizations. The result weakened both workers struggles and the influence of the left wing within the labour movement.

Shortly later, however, The Worker editor Maurice Spector reaffirmed the party’s previous position:

Despite all statements to the contrary, Canada is still a colony of Britain, a part of the British empire...That is why the Labour Party [to which the CPC was then affiliated] takes a position in favour of complete self-determination of Canada, and why the left wing of the Labour Party, headed by the Communists, takes a more specific position for the annulment of the British North America Act, the separation of Canada from the Empire, and Canadian independence. (“Constitutional Issue Again”, The Worker, August 28, 1926).

Almost a year later, an editorial entitled “Canadian Independence” (The Worker, July 2, 1927) quoted more estimates of US investment in Canada. In 1923 there had been 700 full owned US branch plants and another 900 partially owned establishments in Canada, and 26% of all US foreign investment in 1926 was located in Canada. The industries where US investment were greatest included its 70% ownership in automobiles, 56% in brass and copper, 52% in drugs and chemicals, 50% in paint and varnish, 45% in electrical apparatus, and 41% in steel and rolling mills. US ownership of the pulp and paper industry was also on the rise. However, the article also emphasized that, “On the other hand, Canadian capital still owns 52% of the industry, and 80% of all the Dominion provincial and municipal bonds are in the hands of Canadian investors. The ownership of the railways, the banks, and the electrical power is also in the hands chiefly of domestic Canadian capital, with the British investor following.”

A brief article, “U.S. Finance Buying Up Control of Canada Banks” in The Worker of September 24, 1927 reports that US investors were buying Canadian bank stocks, and that given the concentration of banking in Canada, American control in this sector would facilitate the control of other industries and place Canadian workers and farmers “still further at the mercy of US imperialism”.

While attending the Comintern’s ‘Lenin School’ in Moscow, Stewart Smith had discussed some of these issues with Comintern leader Nicolai Bukharin, and apparently had been asked to prepare some statistics on the issue. His report noted the impressive growth of industry in Canada (there had been a 300% increase in manufacturing output in Canada between 1913 and 1923). It quoted British financial papers as reporting that in 1923, 58% of manufacturing was owned in Canada, and 10% and 31% in the UK and US respectively. Of all industries in 1924, 55.6% were Canadian-owned, 8.1% British, and 31.8% US. In 1924, 54.1% of mining industries were Canadian, and 13.2% and 30.3% British and American. In nickel and copper the ownership shares were, respectively, 5%, 43.1% and 48.2%. (“Theses on Industrialization, American Penetration and Independence (For Comrade Bukharin’s Report)”, no date, CF Reel 273-5)

Berger (1976) quotes data indicating that in 1923, 41% of the ownership of steel furnaces and rolling mills in Canada was American, 45% of the ownership of the electrical industry, 52% of copper smelting, 52% of drugs and chemicals, and 70% in auto manufacturing. Another source quoted (Goldenberg, 1936) reported that total foreign investment in Canada in 1933 was $6.794 billion, of which $3.967 billion was American and $2.731 billion was British.

Smith also notes that “The struggle of the French masses for national autonomy within Canada, and the struggle of Canada itself for complete independence from Great Britain” was now clearly to be directed against the liberal
politicians who had been “deceiving the people for too long with apparently revolutionary phrases.” (“The Danger of War and the Struggle for Real Canadian Independence”, The Worker, Sept 17, 1927)

Despite the difficulties he identified, Buck stated that the “decision of the Seventh Plenum [of the ECCI, in January 1927] on the question of Canadian independence [it had instructed the CPC to campaign for independence]...has been completely borne out by the development of the policy of the King government during the past year.” (“Report of the CPC for the period of 1927”, CF Reel 276-6)

Buck describes the governmental alternatives as a “Soviet dictatorship” and a “democratic government of the workers and farmers”. However, what the independence slogan actually posed was a bourgeois stage of the revolution rather than a workers’ and farmers’ government, i.e., the first stage of the dictatorship of the proletariat.

It is not clear which article this refers to. The Worker was not published on this date, and no author is identified by the initials MLJ in the issues around this date.

As Angus (1982, 161) notes, in 1927, following the defeat of its right-wing policy of alliances with trade union leaders in Britain and the KMT nationalists in China, the Comintern adopted a sudden left turn, ordering the British CP to oppose the Labour Party in elections and the Chinese communists to carry out a disastrously ill-prepared insurrection in Canton. These ultra-left policies were then generalized and became known as the ‘Third Period’ approach.

The ‘First Period’ was the worldwide revolutionary upsurge of 1918-1923. The ‘Second Period’ of 1924-27 was a period of capitalist stabilization; it supposedly justified the right-wing approach advocated during this time. The ‘Third Period’ was declared one of capitalist crisis and consequently of revolutionary opportunities. Social democrats became ‘social fascists’ with whom not even united front activities were deemed permissible (most notably, against Hitler in Germany), and ‘red’ unions were set up in opposition to the ‘reactionary’ unions (in Canada this took the form of the Workers Unity League against the established unions). For Stalin the role of Communist Parties around the world in this period was, more than anything else to maintain pressure on their bourgeoisies and thus minimize the danger of military and diplomatic aggression against ‘socialism’ in the USSR.

Another issue that was significant for the debate in the CPC in this period was the campaign against Trotskyism and others who opposed Stalin’s political course. The Comintern viewed the Canadian section with some suspicion because Maurice Spector, a central leader of the CPC until late 1928 and the only Canadian ever elected to the Executive Committee of the Comintern, became a supporter of the Left Opposition. The Comintern did not have full confidence in other CPC leaders, especially the CPC’s General Secretary Jack MacDonald (who did, eventually, after leaving the CPC, join the Left Opposition). The issue of Canada’s status and the independence demand was used to support some CPC leaders and to attack others (including, at certain points, Tim Buck, who nevertheless survived to lead a now thoroughly Stalinized party for the next several decades).

In an October article in a party journal, CPC General Secretary Jack MacDonald wrote that that Canada’s status had been raised during the Sixth Congress of the Comintern in July-August 1928, “where the collective thought and experience of the five hundred CI delegates from all parts of the world had been applied to the situation as it exists in Canada, not only on the basis of a clear analysis of the objective conditions in this country, but from the viewpoint of the relations and position of the Canadian bourgeoisie in the sphere of the world economy” (in the Canadian Labour Monthly, October, 1928). He stated that “a reconsideration of our past attitude and policy on the relations of Canada and the Empire as expressed through our ‘Canadian independence’ slogan” should be based on greater appreciation than had been held in the past of the relative strength and privileged position of the Canadian ruling class.

According to Rodney (1968, 139), at the 6th Congress Comintern leader Bukharin had argued that growing US investment in Canada had assured American hegemony over the Dominion. MacDonald had spoken in the discussion and “countered this assertion by pointing out that the problem was not so simple”, given the important role still played by Britain, including aggressive ideological campaigns in Canada in favour of the Empire. Rodney claims that in this intervention MacDonald stated that since 1924 the CPC had realized that the Canadian
bourgeoisie represented by Mackenzie King was a partner of British imperialism (citing Imprecorr No. 44, August 3, 1928, p. 779; 6th session on July 23, 1928). According to Avakumovic (1975), the Anglo-American Secretariate still favoured retaining the independence demand, as this slogan had it uses in the fight against British imperialism, and to attract French Canadians to the CPC.

A “Report of the Canadian Party to the ECCI” (CF Reel 273-7) suggests that MacDonald raised these issues even before the Sixth Congress. It refers to a report by him on economic and political developments in Canada and includes a “Supplement, Special points which Comrade MacDonald want to be discussed. 1) Correctness of the “Canadian independence” slogan, 2) Question of ‘Amalgamation’ of the two trade union congresses.” There is no date included but it refers to dues paid to April 1928 so it must have been after than time, but seems to have been before the Sixth Congress in late August-early September.

CPC member Leslie Morris was attending the Lenin School in Moscow at this time, and the Comintern Fonds include a number of letters from him to CPC members in Canada. In one letter, dated July 19, 1928 to “Joe” he wrote: “A few words about the delegation [the CPC delegation to the Sixth Congress of CI]. We have fought over the issues of the Party, trade union and Canadian Independence and have met with no opposition from either Mac[Donald] or Spector. At the present time we are preparing theses on the questions that will be presented to the Anglo-American Secretariate for consideration…”(CF, Reel 273-7). In another letter dated Dec. 21, 1928, Morris reported that the Congress had started [it is unclear why the date here is several months after the July-August Congress]:

So far the delegation have accepted out points upon Canadian independence and the Trade Union policy, and this without any great opposition from them! The slogan [independence], in our opinion, has been falsified by the CEC (particularly Spector), and instead of proclaiming independence alone through the medium of a proletarian state, has confused it with the conception of independence as a bourgeois republic, which means the complete splitting of Canada from the Empire, the latter being, in my opinion, a total improbablity if not an impossibility. This has been highlighted by Bukharin’s characterization in his report of a few days ago wherein he pointed out that the Indian revolution would be totally different to the Chinese because of the Loyalist nature of the Indian bourgeoisie. This holds good in Canada. The bourgeoisie there, because of the economic and political ties with the Empire have gone as far in their ‘independence’ policy as they wish. Their continued development within the empire is assured. From this premise the conclusion follows that our independence slogan have but one meaning, that is the Workers’ and Farmers’ government. It is our chief political slogan, concretized in a moment of war. Of course the complete line has not been mapped out. The slogan will be clarified here I think. The CEC have deviated. The statement we quoted from The Worker constitutes a line that deviated from our policy. The Convention [CPC 4th convention in August 1925] resolution itself was not correct insofar as it defined Canada as a “colony” which is not correct. It is a developing Imperialist nation, though we will have to prove this with data. (Letter signed by “Leslie” to “John” in Winnipeg, Moscow, Dec. 21, 1928, CF, Reel 273-7).

Since Morris was a strong critic of the party’s previous position, the fact that he notes no opposition from MacDonald and Spector on the issue of Canadian independence indicates the latter two CPC leaders agreed with the need to change party policy on this issue.

105 The Comintern’s initial target was Jack MacDonald, who, according to Angus (1981), was not considered a sufficiently reliable supporter of Comintern policies, especially following the expulsion of Maurice Spector for supporting Trotskyism in the fall of 1928. The Comintern initially supported Stewart Smith (who returned to Canada in the fall of 1928 to help lead the campaign against Trotskyism) and Tim Buck against the MacDonald leadership. Despite the harsh criticism from the Comintern, MacDonald’s faction in the party gained the majority at the 1929 party convention, and he was re-elected Chairman. However, shortly later MacDonald resigned this position, and withdrew from any active role in the party, and was expelled a few months later. By this time, Smith and Buck were themselves on the receiving end of harsh criticism from the Comintern, expressed in part through statements by Leslie Morris and other CPC ‘Lenin Students’.
The “Theses” were adopted at a November 1928 meeting of the CEC, but not published in The Worker until December. According to Rodney (1968, 148), they were authored by CPC Secretary Jack MacDonald. Avakumovic (1975) states that the “Theses” had been brought back from Moscow by Spector and MacDonald (the CPC delegates to the Sixth Congress of the Comintern). The November meeting at which they were adopted took place after Maurice Spector had been expelled for ‘Trotskyism’, and MacDonald himself was beginning to come under sharp attack by Buck’s faction for ‘right deviationism’ and alleged lack of leadership capacity.

The “Theses” also stated “The role of the Canadian bourgeoisie in weakening the imperial constitutional ties is historically progressive and part of the process of disintegration of the British Empire.” Elsewhere it cites some of the political initiatives Canada had taken:
1. Demand of independent representation at Versailles, Lausanne, Locarno, Washington conferences, etc. 2. Changes in status of Governor General from representative of Br. Government to representative of Br. Crown. 3. Establishment of independent relations with U.S.A., France, Japan. 4. Signing of independent treaty, and recognition of this as a precedent for the future treaty negotiations. 5. Open opposition to British foreign policy – Chank, Egypt, etc. This in no sense, however, means that the Canadian bourgeoisie is a progressive bourgeoisie or in any sense revolutionary. In the period of the struggle against feudalism and national oppression, the Canadian bourgeoisie played a revolutionary role.

It stated, “the question of Canadian independence was not solved by the bourgeois revolution” because of internal divisions, and especially because Britain learned a lesson from the American Revolution. Thus, “the conditions for full bourgeois democracy were created without breaking from the British Empire.” (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.” The Worker, Dec. 22 and 29, 1928)

The “Theses” describe the previous “mistake of the Party...as regarding Canada a colony and raising the slogan of the Workers and Farmers government.” (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.”, The Worker, December 22 and 29, 1928) However, the workers and farmers’ government, as expressed by the Comintern’s Third and Fourth Congresses does not imply colonial status. This criticism in the “Theses” probably reflects the influence of the Comintern’s ultra-left ‘Third Period’, which dropped the emphasis from strategic alliances with farmers in favour of prosecuting the “class struggle” on the farm, and rejected the previous “right-wing” policy of supporting farmer-labour parties. (The Comintern policy had actually been to support farmer-labour governments, not farmer-labour parties.)

Porter noted that Canada had raised the domestic content requirement for tariff-free import of Commonwealth goods from 25% to 50%. He attributed Britain’s acceptance of this more protectionist policy to the latter’s need for Canada as a political ally, a market for goods, and Canada’s role as “the granary of Europe.” (Porter, 1929a)

The ‘Lenin students’ document was titled “The Present Situation in the Canadian Party and its Politics” (cited in Penner, 1988 87; source given is PAC-CP, MG28 1V-4 Vol.11, File 11:3v). According to Penner, ‘Lenin school’ students Leslie Morris, Sam Carr and John Weir sent it to the CPC offices in Toronto in July 1929 (not September). Buck’s “Statement of Political Perspectives in Canada” to the Comintern on January 30, 1930 refers to the “Student’s letter of September 29”, and a “further letter forwarded to the party on October 3.” (CF, Reel 273-10) In any case, the letter attacked both ‘left’ and ‘right’ factions of the leadership on a number of questions, including Canadian independence. “Porter” was apparently a party name used by the ‘Lenin students’ as a group, and by Leslie Morris as an individual.

The “John Porter” who wrote the articles about Canada in the June and October 1929 editions of the Comintern journal Communist International (published in New York) was almost certainly Leslie Morris. It was very likely Morris who had argued Canada was a “rising imperialist” country to the Anglo-American Secretariate in Moscow as early as December 1928. This formulation is included in a “Draft letter to the CP of Canada” contained in the minutes of the Secretariate on December 22, 1928 (CF, Reel 269-1), and in the letter that appears to actually have been sent (“Letter from T. Bell to CEC, Dec. 4, 1928”, CF Reel 273-7; see also note no. 66 below).

A July 19, 1929 letter to “Stewart”, signed by “Jack” and “Jack Davis” (according to Penner (1982, 87), this name was used by John Weir) states that,
Talking about Porter’s attitude at the CI delegation, you state “Sam [probably Carr] of course has some pet theories, like Beckie [Buhay] he regards himself as a master tactician who guided Spector and then myself in the struggle against the right….When and where did I pretend first of all of having led Spector (you should supply this stuff to Mac [probably Jack MacDonald], he will think you for it) and secondly of having guided you in the struggle against the right? I cannot discuss in a letter the matter of “pet theories” mainly due to the fact that you do not both to indicate which pet theories I foster. (CF Reel 273-8)

Penner (1988, 88) suggests that the ‘Lenin students’ were being directed by Comintern officials Manuisky and Kuusinen, who had emerged as Stalin’s right hands in the Comintern. The Comintern had decided that the Buck-Smith leadership was unreliable, but had decided to postpone the attack on them in order to first focus attention on the ‘Right-wing deviationists’ such as Macdonald, Salsberg, Buhay and Popovich. Smith may have been under suspicion because of his association with Bukharin while in Moscow during 1927-28 (e.g., Smith prepared a report for Bukharin, “Theses on Industrialization, American Penetration and Independence (For Comrade Bukharin’s Report)”, no date, CF Reel 273-5). By the end of 1928, Bukharin had been politically displaced by Stalin (and later executed).

Penner (1977, 94-95) cites similar arguments by Buck at a CPC Central Committee meeting in January 1930.

Buck was pressured by the Anglo-American Secretariate to abandon this claim (see the discussion below, and his letter to Stewart Smith in note no. 91 below.

The date of the Financial Post was December 21, 1928. There is no indication of whether these totals include both direct investments (e.g., in branch plants) and portfolio investment (e.g., bonds), but it seems likely that both are included. Smith quoted the same figures in a similar article in the December 1928 The Canadian Labour Monthly (Smith, 1928).

In another article in the same issue of the CPC paper, “Leninism and the Position of Canada” (The Worker, Jan. 26, 1929), Smith argued that large industrialists and financiers in Canada were closely connected to British imperialism, and were worried by the growing penetration of the Canadian market by US capital. He also characterized the “petty-bourgeois nationalism” of figures like J.S. Ewart as pro-American.

It is hard to be certain this is the final draft sent to the CPC, as there are several drafts of the letter, including from the Anglo-American Secretariate to the Secretariate of the ECCI. The analysis does vary somewhat from one to another. For example, a “Draft Letter of the ECCI to the Communist Party of Canada, To the Sixth Congress of the Communist Party of Canada” dated 22.2.29 included the following formulations:

Canada has evolved from being a ‘Dominion” of the British Empire into a definite bourgeois nation processing imperialist interests, imperialist ambitions, world economic ties, and is a growing factor in world politics. But in addition to processing this distinctly imperialist character, the country occupies a unique position in that it is wedged in the midst of the Anglo-American conflict. The Canadian bourgeoisie is not a unified body. The economic interests of part lies with the interests of the American ruling class, the economic interest of other sections are bound up with those of the British imperialists.

...As recognized by the Party delegation to the VI World Congress grave errors have been made by the Party leadership in the past in connection with the character of the constitutional fight for more freedom by the Canadian ruling class and the Party slogan of “Canadian independence”. This took the form of attributing to the Canadian bourgeoisie the nature of an anti-imperialist bourgeoisie fighting for national freedom and bourgeois republic. This was absolutely wrong; not only did it fail to realize the nature of the constitutional issues, but is entirely negated the role of the party as the ONLY leader of the oppressed masses. The fact that this opinion could remain within the Central Committee of the Party until recently is proof that the political development of the Central Committee leaves much to be desired. The slogan “Canadian Independence” [illegible] constructed to be a slogan for the bourgeois republic, not a Workers Republic. This mistake has been rectified, but the Party, in its Theses upon Political Perspectives still retains the slogan of

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“Canadian Independence” under a “Workers and Farmers Government.” The Communist International is of the opinion that the slogan of “Canadian Independence” must be abandoned by the Canadian Party. The enemy of the Canadian proletariat is the Canadian bourgeoisie, which as stated above, is a rapidly developing IMPERIALIST bourgeoisie. The slogan of “Canadian Independence” merely serves to confuse the demand for the “Workers and Farmers Government” in the eyes of the masses, leading them to the opinion that they are oppressed by the British, not the Canadian bourgeoisie AND REMOVING THE LATTER AS THEIR REAL ENEMY. The chief political slogan of the party must be the Workers and Farmers Government... (“Draft letter of the ECCI to the Communist Party of Canada, To the Sixth Congress of the CP of C, 22.2.29”, CF Reel 273-7).

What appears to be another draft of the ‘Closed letter’ referred to a “rapidly developing imperialist bourgeoisie” in Canada. (“Draft letter to CPC”, CF 273-7)

The differences between various drafts may help explain why later Porter and the other ‘Lenin Students’ would claim that the April 8 letter had described Canada as an imperialist country, but Tim Buck could reply that this characterization was not contained in the April ‘Closed letter’. Porter presented reports on Canada to the Secretariat in November and December of 1928, and it is likely he authored parts of the above text, and then later assumed the Comintern had referred to Canada as imperialist in letters to the party before this actually occurred, which was in October of 1929. The December 4, 1928 letter from Tom Bell of the Anglo American Secretariate to the CEC of the CPC did suggest that Canada was an imperialist country in stating that:

Canada appears upon the international stage, not as a colonially oppressed country, but as a developing imperialist nation. Practically, this finds its reflexes in the policy of the King government, a policy that seeks to exploit the differences between Britain and the USA in the interests of Canadian capitalism. King apparently favors neither one nor the other of these two imperialist powers, but pursues his own Canadian bourgeois policies. This takes the form on the one hand of co-operation with the British bourgeoisie in its nefarious immigration and “harvester” schemes, and on the other hand of closer economic ties with the USA, full diplomatic relations, etc. It is important to note the increased desire upon the part of Britain for the recovery and maintenance of her prestige in Canada as evidenced through the tours of prominent labour reformists and bourgeois politicians during the recent period.

The King government has evinced not desire for greater independence, but continues the policy of maintaining friendly relations with both Downing Street and Washington. There is no desire on the part of the Canadian bourgeoisie for complete independence; in no sense can they be credited with complete separationalist or nationalist aspirations. This means that the Party, through its “Independence” slogan, must avoid the errors made in the past of attributing to the ‘nationalist’ bourgeoisie any anti-imperialist qualities. Canadian independence can only mean the victory of the Canadian proletariat and...the establishment of the Workers and Farmers government. (“Letter from T. Bell to CEC, Dec. 4, 1928”, CF Reel 273-7)

Slightly different formulations are found in a “Draft letter to the CPC” in the Dec. 22, 1928 minutes of the Anglo-American Secretariate, a letter, which probably was not sent. It stated that:

“Canada appears upon the international arena, not in the role of a colonially oppressed country, but as a developing imperialist nation. Politically, this finds its reflexes in the policy of the King government, a policy that seeks to exploit the differences between Britain and the USA in the interests of Canadian capitalism.” This means that the Party, through its “Independence” slogan, must avoid the errors made in the past of attributing to the ‘nationalist’ bourgeoisie any anti-imperialist qualities. Canadian independence can only mean the victory of the Canadian proletariat and the establishment of the Workers and Farmers government. (“Draft letter to the CPC”, CF Reel 261-1)

Porter outlined several groupings of Canadian capital. This depiction clearly follows that outlined earlier by Smith as well as the 1924 analysis by Bartholemew. Like the latter, but unlike the former, Porter’s purpose here was clearly to suggest that what lay behind politics in Canada was the differences between these groups rather than any common colonial status relative to Britain or the United States.
Porter’s “resume” of the opinions he criticizes includes points often made by Buck, such as the claim that the slogan of Canadian independence had not been wrong because it differentiated Canada from Britain or the US “but because it did not correctly differentiate” (Porter, 1929b).

Porter’s report probably influenced the December 4, 1928 letter from Tom Bell of the Anglo American Secretariat to the CEC of the CPC, which makes similar points, and stated that despite the growth of American investment, “Canadian capital investments still hold the balance of economic power.” At the same time, Bell’s letter emphasized the danger of annexation by the US, writing that the CPC “must be watchful in this direction, and use such events as the situation in Newfoundland over the sale of Labrador to the USA as material for mass agitation.” (“Letter from T. Bell to CEC, Dec. 4, 1928”, CF Reel 273-7)

There are also several earlier drafts of this letter, e.g., one dated September 27, 1929.

Porter expresses a similar point in arguing that the King government sought to “utilize the Anglo-American conflict for the benefit of the Canadian bourgeoisie as a whole...and assume a somewhat independent imperialist attitude in the struggle for markets for Canadian manufacturing and agricultural products.” (Porter, 1929b, 628-628)

In this report Porter stated

The slogan [of Canadian Independence] has been clarified considerably by the discussions that took place during the Sixth Congress of C.I. There a tentative programme was drawn up around the slogan that oriented the party policy in this regard towards a clearer understanding of the role of capitalist parties, particularly the Liberal party, and made it clear that the slogan meant nothing short of the “Workers’ and Farmers’ Republic” in Canada. Prior to this several errors have been committed in the direction of conceiving the Liberal bourgeoisie as possessing the capability of leading a struggle against British imperialism, and for the complete independence of Canada. This has entirely disappeared from the present policy of “independence”. The next Party convention will undoubtedly clarify the present demand of independence. In the time reviewed in this report the slogan has received no marked expression, and seems to be subordinated to other tasks of the Party. Its efficacy has yet to be proved. (“Report of the Canadian Communist Party to Anglo-American Secretariate for period of July -November 1928”, November 28, 1928, CF Reel 273-7)

This letter is excerpted in note no. 54 above.

An article by Stewart Smith in early 1929 also discussed the “war preparations” by the King government. They included the construction of 2 destroyers for the Royal Canadian Navy at the cost of some $4 million, an increase in total military appropriations of 20%, including $3.2 million for the air fleet and $3 million for navy upkeep, commissioning strategic studies of Canada’s security position, and additional support for the Militia. (“Some Facts on the Menace of War Between British and American Imperialism”, The Worker, Jan. 26, 1929)

Examples of such deviations were the use of the slogan as the left wing complement of the bourgeoisie’s hesitant steps towards constitutional autonomy, to “draw closer to the nationalist elements of the Canadian bourgeoisie” and petty-bourgeois elements like Ewert “who are imbued with the narrowest reactionary Canadianism.” Also rejected was the Party’s past use of the slogan in a “purely juridical and constitutional manner”, such as attacking the BNA Act on the grounds that it prohibited certain labour and social legislation, or on the question of abolishing the Senate. The error here was to give “false faith” that the bourgeois parliament would “merely pass an act abolishing the British North America Act, and Canada would be an independent country”, and “not linking up the constitutional issues with the mass action of the proletariat”. The “Theses” conclude that the most serious mistake in the use the slogan was a failure to link up independence with the question of the “war danger”. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.”, The Worker, December 22 and 29, 1928)

It may be noted that the official CPC auto-history, *Canada’s Party of Socialism* (Toronto; Progress Books, 1982, p. 61) claims the “Theses” reflected MacDonald’s “North American exceptionalist ideas”. As Angus (1981, 225-255) notes, these is no evidence that MacDonald ever held such positions. The CPC auto-history also blames MacDonald for the notion that the Canadian bourgeoisie’s ties to British and North American imperialism would lead to internal
crisis and perhaps even civil war. While admitting the party was “greatly influenced” by the notion that an Anglo-American war was in the making, it attributes this to “current popular prejudice” in an effort to evade the fact that this perspective originated in Moscow.

126 The “Theses” argued this demand would help to rally “the poor farmers who are still under pacifist illusions”, oppose “British jingoistic propaganda upon the Canadian working masses”, “expose the reactionary character of nationalist Canadianism” and was the “correct approach of the party to the French masses”. (“Draft Theses on the Canadian Perspectives Adopted by the Enlarged Executive of the C. P. of C.” The Worker, December 22 and 29, 1928)

127 A letter from Morris to “John” in Winnipeg on Dec 21, 1928 was already quoted in note 54 above; Morris stated that,

The slogan [independence], in our opinion, has been falsified by the CEC (particularly Spector), and instead of proclaiming independence alone through the medium of a proletarian state, has confused it with the conception of independence of a bourgeois republic, which means the complete splitting of Canada from the Empire, that latter being, in my opinion a total implausibility if not an impossibility. (CF Reel 273-7)

An earlier personal letter on September 24 [probably 1928] from “Porter” to “Joe” states:

I have been thinking a little about our Canadian Independence slogan. Without entirely making up my mind, some doubts have arisen. I have read over the resolution of Smith again, but it doesn't seem convincing....The slogan by itself, I think, would lead to nationalist illusions [despite “worker republic assurance]...I believe that as long as the slogan is retained that it will cause misunderstanding and illusions, as well as deviations in its interpretation by the Party....One question stands out in my mind: Had the nationalist bourgeoisie never raised the question of Canada’s independence in a bourgeois sense, would we have ever arrive at the slogan independently? I am inclined to think not. The slogan of independence has real revolutionary meaning in colonial countries, but Canada cannot be placed in that category. (CF Reel 273-7)

128 The minutes state that Smith, Buhay and MacDonald were elected to the commission.

129 The Comintern had already intervened to request that the convention be postponed from the end of March until May. Angus (1981, 232) suggests this delay was intended to “ensure that a ‘correct line’ was adopted”, that is, one favouring the Buck-Smith faction against the MacDonald and other founding members of the party like Florence Custance and William Moriarty.

130 Quoted in Penner, 1977, 92; no source given, but Penner (1988, 87) cites “Report of the Sixth National Convention of the CPC, May 31 to June 7, 1929”, p. 12 (See PAC [Public Archives of Canada, Ottawa], MG28 IV-4, Vol. 11, Files 26, 27, 28.). Also found in “Closed letter to the Central Committee of the Communist Party of Canada, April 8, 1929, from the Political Secretariate of the ECCI, Moscow”, CF Reel 273-7). I noted above that while the April 8 letter described Canada as a “definite capitalist country” other drafts of the letter in the Comintern Fonds, that were apparently not sent, also characterized Canada as “imperialist”.

131 According to The Worker, The CPC convention endorsed all the point in the ECCI letter to the party, and fully supported its perspectives. This included the ‘Third Period’ of capitalism; centrality of the danger of war; “liquidating” the Canadian Labour Party; “sharpening” the struggle against reformism; focusing on ‘class struggle on the farm’ rather than of farmers against finance capital; building a “revolutionary Canadian [trade union] Centre”; the Right danger as the main danger before the party; ending the federal (language) structures; individual “self-criticism” for past errors, etc. Agreement with the line of ECCI letter and convention resolution was made “the basis for true Bolshevik unity in the ranks of the Canadian party”, (“Canadian Communist Party Welcomes Criticism of Communist International”, and “Resolution of Sixth Convention of the Letter of the C.I. to Communist Party of Canada”, The Worker, June 22, 1929)

Angus (1981, 238-239) writes that for MacDonald, “[T]here can be no doubt that the [convention] line...stuck in his throat”. While he endorsed it in his report to the convention, “[F]or a man of MacDonald’s stature – indeed for any
serious revolutionist – this was a tragic, even pathetic performance...". MacDonald had fought to break the party from its early ultra-leftism and sectarianism. He had led it into united actions with non-Communists, and steered it clear of attempts to split the existing unions. While he had at first welcomed the correction of the previous rightward course of the Comintern between 1925 and 1928, MacDonald now saw the “Third Period” insanity in action and the unprincipled factionalism to which Stalin’s Comintern would resort in order to control national sections around the world. MacDonald supporters gained a majority of votes at the Sixth Convention, but he declined re-nomination for General Secretary of the CPC at its July 1929 plenum, and resigned or was expelled from the CPC the following year. He returned in 1932 for a period to party building activity with Spector in the Left Opposition, but later retreated to private life, working in his machinist trade in Toronto until his death in the early 1940s.

132 Penner (1988, 88) lists the authors of a letter delivered to the CPC offices in July of 1929 as Leslie Morris, Sam Carr and John Weir. Buck’s “Statement of Political Perspectives in Canada” to the Comintern on January 30, 1930 refers to the “Student’s letter” of September 29, and a “further letter forwarded to the party on October 3.” (CF, Reel 273-10).

133 Porter presented a “resume” of what he described as the position of a section of the CPC leadership, as if taken from a written document or speech. The position centered on the argument that the bourgeoisie was “hopelessly disunited” and so incapable of independent interests or of its government being “representative of the bourgeoisie as a whole”. It argued that to reduce everything to the proletarian revolution [i.e. that independence would not be part of the struggle for a workers government] “means to over-estimate the strength of the Canadian bourgeoisie...Canada is not an independent imperialist power...the struggle against imperialism has a different form for Canadian workers than for British or American workers.” Given the need to “prepare the workers for the struggle against the invasion of British or American imperialism”, the slogan of ‘Canadian independence’ had not been wrong because it differentiated Canada from Britain or the US “but because it did not correctly differentiate.” (Porter, 1929b, emphasis in original).

As noted, Porter complained that the “starting point for the whole theory is the Anglo-American conflict, in which Canada appears solely as a battleground for conflicting American and British interests; the independent interest of the Canadian Bourgeoisie...are entirely left out.” In his view, viewing the bourgeoisie as “hopelessly disunited” and incapable of ruling “except at the behest of one or another of the rival imperialist groups” was tantamount to considering it an oppressed bourgeoisie. (Ibid.).

134 There are several drafts of this letter in the Comintern Fonds; one is dated a few days earlier, on September 27, 1929.

135 “The Right Danger” referred to the position of MacDonald and supposed co-thinkers like Lovestone in the US Communist Party. The Political Bureau voted to distribute the letter from the ‘Lenin students’ to party members with a covering letter stating its was their opinion only and had not been endorsed the CI, and that the Political Committee found inconsistencies, misinterpretations and actual false statements in it. (“Minutes of the CPC Political Bureau, October 26,1929”, CF Reel 273-9).

136 The date of the Tom Bell letter referred to above was Dec. 4, 1928. The date may have been mis-stated, or, given that there were several drafts of this letter in the Comintern Fonds, it is possible the final version actually sent was dated Dec. 24.

137 The April 8 letter from the ECCI to the CPC had referred to Canada as a “developing capitalist country”. However, other drafts of this letter contained the “developing imperialist country” formulation that Porter had quoted; this is probably because he had a hand in drafting the letters (e.g. the “Draft letter” dated February 22, 1929 described the Canadian bourgeoisie as a “rapidly developing imperialist bourgeoisie”, as did another draft titled “Closed letter to the Central Committee Communist Party of Canada” dated April 8, 1929 CF, Reel 273-8). Porter had presented reports on these issues to the Anglo-American Secretariate, and MacDonald later stated that, “I could see in it, or thought I did, not the mature consideration of the leading elements of the Comintern, but I thought I saw the writings of Comrades Leslie Morris and Sam Carr” (quoted by Angus (1981, 234; from the PAO-CP [Public Archives on Ontario, Communist Party Collection] 12D-0027, 12D-0079).
Under the sub-title “Why the Canadian workers must stand for the separation of Canada from the British Empire”, the CPC letter argued that democracy was necessary for socialism, quoting Lenin on this point. It posed independence from Britain was a way of opposing labour opportunists, who supported a Commonwealth of equal nations. It also placed the danger of war at the center of its argument:

The development of the Anglo-American conflict by means of military conflict will mean the invasion of Canada by American troops and possibly British troops. In the revolutionary struggle against the Canadian bourgeoisie, the Canadian workers will be confronted by the military power of American imperialism. At that time, one or other section of the Canadian bourgeoisie will only be able to rule at the behest of the strongest imperialist power, which on this continent will undoubtedly be American imperialism. The present Political Committee does not in any way equivocate on this question, but bases itself entirely upon the given facts of the situation which are irrefutable.

The CPC statement referred to a quote from the ‘Lenin students’ letter that the fight against the Canadian bourgeoisie “will inevitably involve the question of the struggle against the military forces of the imperialist power that is maintaining that section of the bourgeoisie in power”, complaining that the ‘Lenin students’ distorted this into “defense of the fatherland”. (“Strengthen the Struggle Against the Right Danger (Statement of the Political Committee, Communist Party of Canada). Oct-Nov 1929”, CF Reel 273-9)

In his report to the Comintern, Buck wrote that “arrival of the copy of the Statement submitted by the Students to the Anglo-American Secretariate, and of Comrade Porter in Canada, marked the beginning of a conflict of opinion in the Party concerning the question of perspectives.” He outlined two views:

1) that antagonisms within the Canadian bourgeoisie were the fundamental cause of civil war and there was an objectively revolutionary situation; and 2) the students view that antagonisms were not fundamental, and the crisis and civil war was a false perspective. Canada was an imperialist country and the Canadian bourgeoisie an imperialist bourgeoisie.

Buck stated that Canada was a rapidly developing country with a definite capitalist economy. He agreed the Canadian bourgeoisie controlled the home market. There was no economic or political oppression by Britain. “But the political independence of the Canadian bourgeoisie is a reflection of the sharp rivalry between British and US imperialism within Canada... The Canadian bourgeoisie is thus divided by its varying economic interests...” (“Statement on Political Perspectives in Canada, January 31, 1930”, CF Reel 273-10).

Before the April 8 ‘Closed letter’ to the CPC, the Comintern had supported the independence demand. Buck noted that a draft letter of February 1929 “retained not only the slogan, but instructions to our Party to organize a broad united front movement to rally all sections of population who would fight for Canadian Independence.” (“Report on the Canadian Party Situation” dated January 23, 1930, CF, Reel 273-10). A week later, Buck also noted that a CI letter of Dec 24, 1928 had also reaffirmed the correctness of the independence slogan. He wrote of the CI letter of April 8 1929 which urged the party convention to drop this position: “There was no opposition whatsoever to this proposal as it was already recognized that this slogan tended to subordinate the struggle against the Canadian bourgeoisie to the struggle against British imperialism.” He also emphasized that this letter also still emphasized the war danger and the divisions within the Canadian bourgeoisie. (“Statement on Political Perspectives in Canada”, January 31, 1930, CF Reel 273-10)

An indication of the difficult nature of the discussions in Moscow is gained from Buck’s letter to Stewart Smith during his visit to Moscow:

And the difficulty is that there is a firm opinion here that we have resisted the Comintern line, and that we sabotaged the letter [presumably the October 1929 letter from the ECCI criticizing the Buck-Smith leadership’s policies]. As I have told you before, I was here a month before it was possible to get treated with full confidence. The covering letter that went out with the two CI letters shook me again. You may understand therefore that in the Anglo-American Secretariat, the over-emphasis upon subordination of Canadian capital may be very firmly considered as concealed opposition to the line of the CI, i.e. first emphasis on the class contractions...last night I read through your original thesis on Canadian perspectives. I hope to Christ I am not becoming confused but I must confess boy, that an opponent could point out formulations in the last
statement, which imply at least difference with the first. I don't think there is anything in the first
that can be effectively contradicted, except of course the slogan of Canadian Independence. Look
it over please. ("Letter from Buck to Smith, Feb. 12, 1930", CF Reel 273-11)

142 A 1932 meeting of the Anglo American Secretariate referred to the “clever” role of the Bennett government in
using the contradictions between the UK and US for its own advantage. It noted a “new Phase” in Canadian policy,
which included “the policing of some of the South American countries, recently some of the cruisers of the
Canadian government helped to crush the uprising in San Salvador [illegible] protecting the interests of the
Canadian bourgeoisie in these South American countries.” ("Report on Canadian Question", February 7, 1932, CF,
Reel 269-1)

143 Although, as noted above, Anglo-American Secretary Tom Bell had described Canada as an imperialist country
in a December 1928 letter to the CPC.

144 On this last point, see the data cited by Porter (1929b).

145 Angus (1981, 313) argues that, “In exchange for total submission, Buck was given full backing as the
unquestioned leader of the Canadian CPC.” He notes that despite his past disagreements with the Comintern, Buck
had obtained special permission from the International to appoint (rather than elect) the delegates to this meeting,
and more than one-third of the Central Committee members elected at the previous convention were not present.

146 Penner (1977, 98-108) summarizes the evolution of the CPC position after 1931. He notes a “faint echo” of the
issues in a 1934 “Manifesto” (written by Stewart Smith, acting party leader while Buck was in prison), which
accused British imperialism of bringing the world to the “brink of a new world slaughter” and asserted that the
Canadian government was supporting the “war preparations of Britain”. This approach changed when the Comintern
adopted the 1935 popular front strategy against fascism. Penner writes that, “the party [CPC] adopted a moderate
and conciliatory position with respect to Britain, the British Empire and even with respect to pan-American
continentalism.” Of course, in concert with the position of the USSR, the CPC was later opposed to the war,
between late 1939 and mid 1941. The party’s 1940 federal election “Manifesto” condemned British imperialism as
equally responsible with German imperialism for the war, and argued that the Canadian ruling class was “dependent
on the hegemony of British Imperialism in Europe”. Penner notes that while it did not describe Canada as a colony,
this approach emphasized Canada’s role as a junior partner of British imperialism.

The Comintern Fonds include an interesting, if somewhat confusing letter, from Buck to the ECCI in 1940. When
the Party was made illegal during WW2, Buck had to leave Canada for New York, in the United States (the party
was banned in Canada on June 6, 1940). Buck’s letter indicates that he and Sam Carr supported the 1929 ECCI
position on Canada, but that Smith and Morris in Canada were promoting a new position, emphasizing an
“independent socialist Canada”, based on there being no independent finance capital in Canada and linked to
national self-determination of French Canadians. Smith reportedly also argued that the bourgeois democratic
revolution had never been completed in Canada, and continued to emphasize the Anglo-American divisions in the
Canadian bourgeoisie (CF Reel 273-24). Decades later, Buck (1977, 296-297) wrote that, while in New York, it
became evident to him,

...by implication, that these comrades had developed some conception that our task was not primarily and
immediately to win people to understand our opposition to the war. It was to convince people that Canada
stood before a national revolution to break the bonds of colonial servitude to Britain!... There would be a
united front between those in English Canada who wanted independence and those in French Canada who
wanted independence.

Of course, following the German invasion of the USSR, the CPC reversed its opposition to the war, and strongly
supported the Allied war effort, even endorsing the ‘no strike pledge’ in war industries.

As Penner (1982) details, by 1947 the CPC (now called the Labour-Progressive Party) began to again concern itself
with the threat to Canadian sovereignty emanating from US imperialism. At a January 1948 meeting of the party’s
National Committee, Buck even resurrected the slogan of “Canadian Independence”. Penner writes, “This became,
in fact, the all-pervasive theme of the Party’s work from that time on” (Ibid., 100), and that, “in the ensuring years,
the Communists became more and more convinced that the fight for national independence from US domination was the key... to socialist strategy and tactics (Ibid., 103). I will briefly discuss the CPC’s 1948 arguments in Chapter 8 on Canada’s industrial development. They centered on the need for government policies to foster national independence, especially by increasing the size of the manufacturing sector. The 1955 program featured slogans like “Put Canada First”.

Chapter 4: Issues related to foreign investment and control

147 Gordon had raised nationalist concerns in the 1957 Royal Commission on Canada’s Economic Prospects (Canada, 1958); Bank of Canada head Robert Coyne was another prominent critic of foreign control. Watkins played an important role in drawing this issue into wider public attention as the main author of the 1968 federal government task force on foreign ownership and control he authored (Canada, 1968).

148 Kellogg’s (1991, 35) figure depicting “Foreign control of Canadian industry (sales), 1926-1987” cites Statistics Canada CALURA data after 1965 (which is available in terms of assets, equity, profits and operating revenue). His numbers correspond to those for revenues, or, roughly, ‘sales’. However, his figures before 1965 are for “foreign control of selected industries in Canada”, taken from Leacy’s Historical Statistics of Canada (Leacy, 1983). Leacy’s data is taken from Canada’s international balance of payments, and denominated in terms of “capital employed” (roughly, long term foreign debt and equity).

149 Hurtig does not provide the source for the 33% rate of foreign ownership in non-financial industries, but he does cite the Summer 1992 Financial Post 500 when referring to the 38% rate for the largest 500 corporations. Hurtig refers to “official figures” and “foreign ownership” in describing his 33% rate, which points to a Statistics Canada series denominated in terms of control of capital employed. Here we find that foreign ownership of capital employed was 33% in 1991 (Statistics Canada, 1994, 232). However, “capital employed” is not a basis on which data is available for other countries, and we are left to wonder where Hurtig’s numbers for other countries come from. Comparison of Orchard’s high rates of control in various industries with two different Statistics Canada series suggest they are several decades out of date. The Council of Canadians may have based their figure on a study by the OECD (1997) of the share of “foreign firms” in manufacturing sales, though it is a little misleading to reduce industry to manufacturing alone.

150 GM of Canada assets are about $17.7 billion (estimated from The Globe and Mail, Report on Business, 2001, 107), and the US share of corporate assets in Canada in 1998 (most recent data available from CALURA) was 13.5%, or $442.4 billion of total corporate assets in Canada of $3,283.9 billion (Statistics Canada, 2001, 99). The difference between Saul’s 25% and the 1998 CALURA rate of 13.5% for the US share of total assets is 11.5%, or $377.6 billion, about 21.3 times GM’s $17.7 billion in assets.

151 The latter is the CALURA rate in 1995 for foreign control of revenue in all industries; the corresponding U.S. rate was 20.1% (Statistics Canada, 1997a, 73.)

152 Another apparent example is that Williams uses the figure of “over two-fifths” to describe US control of manufacturing and mining in Canada (Williams, 1994, 14), and then later uses the same ratio to describe the level of foreign control (Ibid., 110). CALURA data supports Williams’ claim in the case of foreign control (44% by assets in manufacturing and 48% by revenues, and 42% and 37% in mining in 1988 (Statistics Canada, 1991a), but US control of manufacturing assets or revenues have has been less than two-fifths for the last quarter-century.

153 The U.S. rates of ownership and control of capital employed were 20% and 15% respectively (Ibid.).

154 In this series, prior to 1975 an enterprise was considered foreign controlled if over half of its voting stock was known to be held in a foreign country or if 75% of the voting stock was held by non-residents, and after 1975, if by any related foreign group that owned more than 50% of the voting stock. (Statistics Canada, 1993b, Canada’s International Investment Position 1926-1993 Ottawa: Statistics Canada, 27-92).
Statistics Canada (1997c, 51) reports that 86.1% of foreign owned equity is in subsidiaries (100% foreign owned), and another 7.4% in associates (partly foreign owned), i.e., the CALURA threshold would apply to a large majority of the total.

It is true that until recently the US criteria for FDI was broader than the Canadian criteria, since it includes both ‘short term’ as well as ‘long term’ investment, and also includes retained earnings. I will discuss these points below, but they are a different issue than the criteria for control being discussed here.

Gordon Laxer (1989b, 11) does at least refer to a United Nations (1987) report in stating that “despite the growth of foreign-ownership levels in the United States and Britain, the extent of foreign ownership in Canada remains unparalleled among developed nations.” However, the rates in this UN study are now a quarter of a century old, they employ different methodologies in different countries, and are for manufacturing alone. And, while Laxer is hardly responsible for errors in the UN data, the source it cites for Canadian data does not report measures of control by “sales”, described as the basis of data in the UN source.

Hurtig’s graph reports that Canadian companies created 5765 jobs for every billion dollars of profit, while US companies created 17 jobs for every billion dollars of profit between 1978 and 1984. Of course, he does not consider a number of factors that should be included in such a comparison, from differences in industrial sectors to those in the average tenure and wages of the jobs involved.

Carroll is discussing a different sense of dependency than assumed here.

Conglomerates were defined as enterprises where at least 30% of sales are in a different line of business from the main activity.

Carroll’s list of corporations included the 70 largest industrials, 20 largest financial intermediaries, the ten largest merchandizing firms, and large real estate firms with assets at least equal to the 70th ranked industrial companies (Carroll, 1986, 63).

While Niosi argued for more attention to the Canadian rather than foreign bourgeoisie, he did “not deny that Canada is a dependent country” (Ibid.), in part because of technological dependence of Canadian industry on foreign firms, and because he rejected the Leninist theory of finance capital and imperialism as applying to Canada.

I include the phrase about the “transfer of production and jobs” for the suggestion that Canada’s loss here was the U.S.’s gain. Another version of the dependency argument is that the FTA was responsible for the 300,000 or so jobs lost in central Canada in the late 1980s. This claim was later amended to acknowledge that the recession also had an effect, but the earlier advent, and sharp character, of the recession in Canada as compared to the US was directly related to the FTA. Sometimes it was argued the recession was the consequence of a secret ‘side deal’ imposed by the US that required the central bank in Canada to maintain very high interest rates. While Merrett (1996, 281) avoids directly endorsing such claims, it is notable he includes a list of almost 200 plant closures and 42,062 jobs under the title “Job Relocations Since 1989”.

A recent article by CLC economist Andrew Jackson (1999, 141-42) acknowledges “the critics of ‘free trade’ have tended to draw an overly close link between the impacts of the FDA and dismal economic performance.” He states, “It cannot be seriously maintained, however, that the FTA has promoted the de-industrialization of the Canadian economy” (Ibid., 151). While a useful correction on these points, Jackson fails to address why the labour movement and the ‘left’ so seriously misconceived the significance of these trade agreements.
In other places, they suggest Canada this status has already been achieved, and although Canada is a “weak” secondary imperialist power, “the historical tendency of the Canadian economy is towards a wider role in the imperialist system”. (Moore and Wells, 1975, 98) This direction of development was the key reason they disagreed with ‘intermediate’ (that is, partly dependent) descriptions of Canada.

Niosi (1983, 134) did, however, caution against opinions (like Resnick (1982) that Canada had become independent, since “foreign control, is only one, albeit an important aspect, of dependency.”

Richardson (1992, 311) pointed out that of the Financial Post’s top 397 non-financial corporations, the percentage of foreign controlled assets declined from 29% in 1978 to 25% in 1987, while the foreign share of the top 17 enterprises (corporations under common control) decreased even more, from 36% to 25%.

McNaughton (1992a, 52) cites an earlier study as reporting that existing foreign subsidiaries “make only one-quarter of the their investments in Toronto, a level consistent with domestic investment behavior (Green and McNaughton, 1989)”. The one-quarter rate was derived from the number of investment notifications or proposals filed with Investment Canada between 1985 and 1989. The rate for domestic firms is apparently the frequency with which they acquired firms in Toronto in a listing of corporate mergers and acquisitions between 1962 and 1984 by the federal department of Consumer and Corporate Affairs. It would thus be prudent to find additional evidence to compare the location of additional investments by domestic firms and foreign subsidiaries.

McNaughton (1992a, 52) cites an Investment Canada study as reporting that such cases account for only 1% of the number of investments and 3% of assets, but it is not clear if these numbers really capture the difference between the totals for intended investments and the actual expenditures. One example is that Investment Canada totals only include amounts to be expended within the next 2 years, not amounts intended to be expended later, as often occur in large, complex transactions.

Niosi’s comments actually refer to the new Canadian political economy school, but these comments apply to what I call the dependency model.

Chapter 5: Evidence on foreign investment and Canada’s status

The annual Corporations and Labour Unions Returns Act publication, e.g., Statistics Canada (2001a).

The annual Canada’s International Investment Position publication, e.g., Statistics Canada (2001b).


Partial data is available for 1962, 1963 and 1964 in Statistics Canada (1965); CALURA also publishes data on foreign control of equity and profits. Data on financial sectors was first published in 1989 (Statistics Canada, 1990a).

Previously CALURA included government enterprises that operate on a commercial basis, like crown corporations, but did not include other government enterprises like the Bank of Canada. The 1999 CALURA report indicates that only “non-government business enterprises operating in Canada are included” (Statistics Canada, 2001a, 63), which suggests that crown corporations are excluded, although it does not specifically state that this is the case.

The CALURA (Corporations and Labour Unions Reporting Act name was changed to Corporation Returns Act (CRA) in the 1999 report as a result of legislation that dropped the Labour Unions portion.

In 1998 corporations in financial sectors controlled 49.6% of all corporate assets and corporations in non-financial sectors 50.4% (Statistics Canada, 2001a, 81). It should be noted that some assets held by financial corporations are loans to non-financial corporations, so there is some double counting in such totals. Investment and
holding companies are excluded from the above figures because most of their assets are almost by definition double counts.

178 The early CALURA reports do not include rates of control over financial industries because the 1962 CALURA legislation did not apply to the chartered banks and most Canadian insurance companies. The financial sector assets that were included by CALURA in 1965 amounted to $32,515 million, while it reported the excluded financial sector assets amounted to $49,144 (i.e. 60% of total). The rate of foreign control in included finance assets was 27.9%, and US control was 9.3% (Statistics Canada, 1969, 31, 36). The 1988 CALURA report (Statistics Canada, 1991a) reported the foreign control of financial assets in 1983 was 11.8% and US control 5.8%, and foreign control of all corporate assets 11.8% and US control 10.7%. If the rates of control of financial assets excluded in the 1965 CALURA (Statistics Canada, 1968) did not change between then and 1988, foreign control of all financial assets in 1965 would have been about 18.3% and US control about 7.2%. In 1965, all corporations in Canada had $158,956 million in assets, of which $81,659 million were in finances (51.4% of total) (ibid., 17). If 30.7% of non-financial assets were foreign and 23.7% US in 1965 (Statistics Canada, 1991a, 126), foreign control of all corporate assets would have been about 24.3% in 1965 (and US control 15.2%, if the ratio of financial and non-financial assets was the same as foreign). These estimates for foreign control of financial and all industry assets are crude, but are in the same ballpark as the 15% rate of foreign control in financial industries cited by Niosi (1981, 13).

179 This ranking is based on the Canadian operations of global enterprises, i.e., some may own additional assets outside Canada. The ranking is based on assets. Six of the 'Top 25' enterprises were foreign-controlled. Foreign control of the revenues of these enterprises was 6.4% (again ranked by assets). Foreign control of the 12 enterprises in non-financial industries was 13.6% of assets and 7.4% of revenues; of those in financial industries, foreign control was 2.6% of assets and 6.4% of revenues. (Statistics Canada, 2001a, 38-39)

The 1988 CALURA data shows that among the top 25 non-financial enterprises, foreign control of assets was 18.8%, of the top 50 enterprises 25.9%, and of the top 1000 enterprises 33.5%, ranked by assets. (Statistics Canada, 1991a, 128) The rate for all corporations was 26.2%. However, among all enterprises (that is, including financial enterprises), the rates of foreign control are much lower, e.g. 8.3% of assets of the largest 25 enterprises, again ranked by assets. (Statistics Canada, 1995a, 88-91, 52)

180 The petroleum industry is included under “energy”, and CALURA does not provide separate data for it. I discuss this sector using different data below.

181 CALURA data covers almost all corporations in Canada, but it does not include assets held by individuals, unincorporated businesses and governments. Commercially-oriented government enterprises (e.g. crown corporations) were included before 1988, but apparently not since then. According to one estimate (Grabb, 1990), non-corporate wealth accounts for almost half the stock of measured wealth in the country. If so, and if the overwhelmingly Canadian ownership in these assets is considered, the overall rate of foreign control would also drop by almost one-half. The portion of corporate assets accounted for by crown corporations is not available, but the crown corporation share of total corporate revenues in Canada was 5.8% in 1991. (Statistics Canada, 1995b, 63)

182 The 1988 changes excluded investment and holding companies from financial and all industries (to minimize double-counting assets), and reallocated real estate from financial and insurance industries to non-financial industries (some real estate companies were also allocated to their banking parent companies rather than in the real estate industry). They changed the statistical unit from the corporation to the enterprise (a consolidation of corporations under common control). This reduced some double counting of assets, but it also apparently made it necessary to remove crown corporations from the coverage. In the financial industries, instead of both domestic and worldwide assets, only business booked-in-Canada was included (see Statistics Canada, 2001a for details of these changes).

In an earlier version of this study (Burgess, 2000), I reversed some of these changes to obtain a more continuous series up to 1995 by 1) allocating real estate back into financial industries, 2) adding the investment and holding companies back into the financial and all industry totals, and 3) further adjusting the resulting numbers for other changes in methodology by applying the ratio of the 1988 values in the old and new series against the values in the
new series. However, by 1998 Statistics Canada had again changed their methodology (and plan further changes in 1999). The above adjustments were no longer possible, e.g. the data for real estate and investment and holding companies was not available for the years after 1995. In any case, the above adjustment had not made a large difference in the trends, e.g., there has not been much change in foreign or US control in the real estate and investment and holding company industries over this period (see Statistics Canada, 2001a).

183 CALURA also expresses foreign control in terms of revenues, profits and equity. The general trends in each case are similar:

![Graph: Foreign and US control of equity and profits, nonfinancial industries, 1965-1992 (%)](source)

184 Petroleum assets are affected by varying depreciation schedules. The data in Figure 5.3 includes both “upstream” and “downstream” revenues, and cover about 90% of industry revenues. Foreign control by assets is lower than by revenues (62.2% vs. 81.5% in 1980), and foreign control is higher than foreign ownership (62.4% vs. 57.9% in 1988). (Petroleum, 1992, Petroleum, 1979)

185 Figure 5.2 expresses foreign control in terms of assets. Statistics Canada (1995b, 12) includes data for foreign control of corporate revenues (where rates of control are higher, and more volatile, but follow similar general trends as assets) for 1975 to 1991. They also exclude credit unions and insurance industries. In 1975, foreign control of revenues was 33.5%, declining to 26.5% in 1982, rising again to 27.6 in 1984, dipping to 25.0% in 1988, and rising to 25.8% in 1991. This 1991 value for foreign control of financial revenues in the CALURA series that includes credit unions and insurance companies was 26.8% (Statistics Canada, 1997a.)

186 The 11.1% its share of total assets includes investment and holding companies in the total.

187 Some restrictions on very large foreign investments and in certain sectors remain under Investment Canada, but its general mandate is to facilitate and promote more foreign investment in Canada.

188 Capital employed is defined as long-term liabilities and equity used in Canada, which includes voting and non-voting shares, preferred shares, convertible shares, warrants, bonds, debentures, loans and other long-term debt or equity instruments. This measure excludes capital employed by Canadian-resident corporations abroad. Before 1988, the measure of capital employed in Canada deducted the long-term capital channeled outside the country. Beginning with 1988, short-term capital was also deducted, so that foreign capital employed in Canada after 1988 refers to both short and long term foreign capital invested in Canadian enterprises minus both the short and long term capital invested abroad by these Canadian enterprises. “It turned out that the new definition had very little impact on the measure of capital employed in Canada, the enterprises have roughly the same amount of short-term foreign liabilities as that of foreign assets” (Statistics Canada 1993b, 39.) Deferred income taxes were also added (in

323
the amount of $40 billion in 1988) to capital employed, and were deemed to be Canadian whatever the control of the enterprises.

The value of foreign ownership reported is the aggregation of capital employed that is owned by foreign interests in both foreign and Canadian controlled corporations. Foreign control, on the other hand, is the capital employed of only those corporations that are controlled by foreign interests, including the portion owned by Canadian resident non-controlling interests. Conversely, a portion of the capital employed by Canadian controlled corporations includes that owned by both foreign corporations and other, non-controlling Canadian corporations.

In this series, an enterprise was considered foreign controlled prior to 1975 if over half of its voting stock was known to be held in a foreign country, or if non-residents held 75% of the voting stock. From 1975 on, an enterprise was considered foreign controlled by any related group that owned more than 50% of its voting stock (Ibid., 284).

The following compares the two series:

Comparison of foreign control of capital employed and of assets, non-financial industries, 1965-1992 (%)

![Graph showing comparison of foreign control of capital employed and of assets]


Similar patterns are evident in individual sectors:

Foreign and US control, capital employed, petroleum and natural gas, and mining and smelting industries, 1926-1992

![Graph showing foreign and US control]

Source: Statistics Canada (1993b, 226, 223)

The CALURA Provincial Distribution (Statistics Canada, 1995, b) only provides rates on the basis of corporate revenues, so the numbers cited here cannot be directly compared to those for assets in previous sections. Rates of
foreign control by revenues are higher than by assets. There have also been changes in the data methodology that complicate comparisons of these numbers with the 1991 data in other sources, e.g. government enterprises are included in this source but not in more recent CALURA reports.

Data for additional countries is listed below:

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193 In discussing similar evidence in Burgess (2000, 108), I quoted 1994 data from the OECD (1996a) showing that the UK rate of inward FDI/GDP was higher than in Canada (21.4% vs. Canada’s 20.3%). The UN source used here shows that Canada’s rate was slightly higher than that in the UK in 1985 and 1995, but that the UK rate in 1990 was higher than in Canada (20.8% compared to Canada’s 19.7%).

194 The UN definition of developed countries includes 17 countries in Western Europe, Canada, the US, Japan, Australia, New Zealand, Israel and South Africa. The inward FDI/GDP rate it cites for developed countries was 4.7% in 1980 and 12.1% in 1998 (United Nations, 2000, 319), and is presumably weighted by the size of the economies, i.e., foreign control in large economies like the US and Japan was traditionally very low but has increased faster than in the smaller economies.

195 Inward FDI/GDP in Canada in 1995 was 21.5% of GDP compared to 20.6% for outward FDI/GDP (United Nations, 2000, 320).

196 The data for Asian countries in this table is from United Nations (1992a); it was compiled before a new volume of data for West Asia was published (United Nations, 1997a).

197 Inward FDI was 26% of inward FPI in 1989 and 25% in 1999. Outward FDI was 80% in outward FPI in 1989 but 106% in 1999 (Statistics Canada, 2001b, 30-31).

198 The US international investment position has been in deficit since about 1985; in 2000 this deficit amounted to about 13% of GDP (estimate by Left Business Observer, 2001 using data from US Bureau of Economic Analysis, Historical Statistics of the US.)

199 The other major components of FPI are loans and allowances, deposits, official international reserves and other assets.

200 The proportion of FDI in non-OECD countries in 1999 was 24%; the loan share of total FPI to non-OECD countries in 1999 was 31% (Statistics Canada, 2001b, 30, 57).
Chapter 6: Debates about capital in Canada

201 See Kaufman (1985) for a discussion of the role of Canadian banks, especially in the Caribbean.

202 Other important studies are Park (1962) and Antoniou (1983).

203 For example, concentration rates in Canada based on assets are generally higher than those based on sales. However, the latter tend to fluctuate much more as business conditions change from year to year.

204 Traditionally the Royal Trust was tied to the Bank of Montreal, Montreal Trust to the Royal Bank, National Trust to the Bank of Commerce, and the Toronto General Trust to the Toronto Dominion Bank (Richardson, 1988, 3).

205 It may be noted that the Bronfman family have been divesting from Edper Corporation Ltd. in recent years.

206 These enterprise groups are not the same as Statistics Canada enterprises. Carroll (1991, 508 fn) defines an enterprise group as companies linked by significant intercorporate ownership plus two interlocks by directors who are executives of one or both companies.

207 Marfels (in Khemani, 1988) reports they also account for 40% of directorship links among the top 100 firms.

208 These authors use regression analysis to explain factors like the level of public debt and social assistance in terms of the number of hereditary billionaires in that country. This causal logic and some of the points made in their interpretation of the data results are absurd.

209 The 1968 Watkins Task Force on Foreign Ownership (Canada, 1968, 148-149) writes that, "Two main points emerge from that analysis of foreign control and industrial concentration. First, many oligopolistic firms in Canada are foreign controlled and many foreign controlled firms in Canada are oligopolistic." They go on to write that, "[S]econd, foreign direct investment appears to have had both positive and negative effects on the degree of competitiveness of the Canadian economy". However, they clearly believe that the first effect is the predominate one.

210 The 1935 Royal Commission on Price Spreads estimated that in 1923 the largest 100 companies in accounted for 26% of total assets in Canada, and 65% if the railroads were included. These total rose to 35% and 75% respectively by 1932. It also found that of the 145 largest non-financial companies, 34% were closely held, i.e. at least 50% of the voting stock was in the hands of one or a small group of individuals (Canada, 1937).

211 The 25 largest enterprises were ranked by revenues. When ranked by assets, which tends to favour financial firms over non-financial firms, the rate of foreign control was only 2.9% (Statistics Canada, 1995, 52). The rate of foreign control of all corporate assets in Canada was 20.1% in 1993 (Ibid., 50).

212 Data for 1988 is used here rather than from 1993 because the latter only lists rates of control for the top 25 enterprises. The 1988 data is based on the historical series method (among other things, it does not include real estate in non-financial industries; in the current series method used in 1993, foreign control is lower).

213 Naylor adapted arguments about the origin of capitalism in Europe to Canada:

There were essentially two paths, with some minor variants that a country could follow on the way to industrialization. Manufacturing industry can grow up "naturally" by a process of capital accumulation in a small-scale unit of production, perhaps even artisanal in character, the profits of which are reinvested in the enterprise to finance its growth from within. A second path implies direct state assistance, and with it, capital from outside the enterprise, be it commercial capital, state subsidies, or foreign investment.

...The first path, if successfully followed, leads to the emergence of a flourishing, independent national entrepreneurial class. The second may or may not. The second path may simply reproduce the conservatism of commercial capital in a new guise, and lead to the development of an inefficient, non-innovative, and
backward industrial structure with a per chance for dependence on foreign technology, foreign capital, and state assistance as its sine qua non. (Naylor, 1972, 16)

Drache (1970, 9) similarly argues that Canadian bourgeoisie played a ‘comprador’ role to foreign colonial powers from the beginning. Unlike the highly entrepreneurial and aggressive capitalists in the United States, it pursued the safe strategy of “protection, preference, entry and accessibility into imperial markets.”

214 Winder’s (1994) close examination of the harvesting machine industry around the turn of the century contests Naylor (1975b) and Williams’ (1983) view of this industry in Ontario as technologically dependent on the industry south of the border.

215 Piedalue (1976) does not define the nationality of control of the leading companies, but some indication of this is provided by the fact that in 1900, 73% of their directors were Canadian, and this rose to 81% by 1930 (Carroll, 1986, 53-54).

216 Clement is not always clear on what is included in circulation; sometimes it is described (along with ‘services’) as finance, transportation and utilities (Clement, 1977, 6), while elsewhere the term includes trade as well (Clement, 1977, 16n).

217 It is not clear how Clement assigned corporations by sector.

218 The “average” interlock value among dominant US corporations was 12.4, among Canadian dominant corporations 16.3, and among those that were Canadian controlled, 23.4 (Clement, 1977, 163). Interlock density among corporations in the same sector in the US were .16 in finance (.37 in Canada) and .29 in manufacturing (.11 in Canada). Interlock density between corporations in finance and other sectors in the US were: .23 with resources (.59 in Canada), .23 with trade (.37 in Canada), .26 with transportation/utilities (.72 in Canada), and .50 with manufacturing (.62 in Canada). In Canada, they were .37 in finance and .11 in manufacturing. Interlock density between finance and other sectors in the US was .50 between finance in manufacturing (.62 in Canada), .23 with resources (.59 in Canada), .23 with finance and trade (.37 in Canada), and .26 with transportation/utilities (.72 in Canada). Interlock density between manufacturing and sectors other than finance in the US was .31 with resources (.19 in Canada), .31 with trade (.07 in Canada) and .27 with transportation/utilities (.15 in Canada).

219 Clement (1977, 164) does acknowledge that the “US dominants are clearly not as densely interlocked as the Canadian dominants”, but he appears to have lost sight of this in his comparisons by sector, where he focuses instead on the “relative importance [finance] has in the economic power structure of each nation” (Ibid., 167).

220 For example, Canada ranked second in terms of the relative number of direct and indirect directorship ties (Ornstein, 1989, 162).

221 Moore and Wells (1975, 61-62) wrote that, “a careful study of the inter-locking directorates is needed to determine the relationships between Canadian and foreign owned industrial capital on the one hand and finance capital in Canada on the other.”

222 The centers of the corporate networks in this study were identified using both ownership and directorship data.

223 I noted in Chapter 5 that in 1991, crown corporations accounted for 5.8% of all corporate revenues (Statistics Canada, 1995b).

224 In 1914 Kautsky wrote, “Hence from the purely economic standpoint it is not impossible that capitalism may still live through another phase, the translation of cartelization into foreign policy: a phase of ultra-imperialism, which of course we must struggle against as energetically as we do against imperialism, but whose perils lie in a further direction, not in that of the arms race and threat to world peace.” (quoted in Mandel (1978, 333n), Kautsky’s 1914 article was printed in New Left Review, No. 59, Jan-Feb 1970)
Niosi attributes this definition to Lenin, but as noted above, this is not accurate.

Niosi also agrees with Naylor’s arguments that the banks “did not participate in the financing of industry, were not involved in the founding of companies, nor in their fusion or reorganization, and do not carry out long-term investment in industrial firms (Niosi, 1978, 27).

Scott (1997, 16-17) considers that the ‘German’ pattern applies to Germany and Austria; the ‘Anglo-American’ pattern to Britain; the U.S., Canada, Australia and South Africa; a ‘Japanese’ pattern of closely linked enterprise groups to Japan; and a ‘Latin’ pattern which combines personal (family) and impersonal control to France and Italy.

I set aside the issue of how long the trust companies may have played this role (recall that Carroll (1986) argues that finance capital emerged by the first decade of this century) to review his evidence for the recent period.

Richardson (1988, 5) notes that the trust industry, mindful of growing pressure to regulate its activities, prefers to include the banks foreign assets and exclude its own estate and trust administered assets when comparing its size to banking. On the latter basis, their deposit-taking assets of $58.5 billion only amount to 14.4% of total bank assets in 1984.

In Canada, trusts rather than banks are the major administrators of pension funds, and he argues their association with conglomerates implies increased access to these funds.

Richardson reaches different conclusions on the role of trust companies than Niosi (1981 [1978]). The latter writer noted that the Porter Commission showed that trust companies controlled almost 20% of common stocks in 1964, and that historically each of the major trust companies was closely associated with a major bank through shared officer, directorships and ownership ties. However, the 1967 revisions in the Bank Act prohibited banks from holding directorships in trusts and limited ownership to 10% of any one company. Niosi concluded the suggestion that banks controlled industry indirectly through the trust companies was untenable. He claims this was made particularly evident when the banks did not use their well-known power to block the 1967 changes in their relations with trust companies. If the banks did control industry through the trusts, Niosi argues they would never have accepted this enforced separation (Ibid., 38). However, given that these restrictions no longer apply, his argument is probably no longer very relevant.

The other main differences between the 1991-95 source of corporate finances among these countries was that equities accounted for a larger share in France (18% compared to 1% in the US, 2% in Germany, and 5% in Japan), and debt was more significant in the US (10% compared to 0.2% in France, 0.7% in Germany and 4% in Japan). (Grahl, 2001)

Chapter 7: Is there independent Canadian finance capital?

However, in some cases the consolidated financial totals for corporations in Canada probably include the contribution of subsidiaries in foreign countries.

Harvey (1982, 301-305; 320) describes how the balance of power between industrial and financial capital changes throughout the business cycle, e.g., that towards the end of the expansion phase:

...the capacity of industrial capitalists to finance their own investments and to extend credit to each other is exhausted as they reach the limit of their cash reserves. They are forced to turn to the banks and financiers who strengthen their power vis-à-vis industrial capital as a consequence.

And:

...to the degree that the accumulation process invariably produces phases that are long on commodities and short on money and vice versa...we have to anticipate perpetual shifts in the power relation between industrial and banking capital.

In addition to the biannual paper publication, Intercorporate Ownership (Statistics Canada, 1999b), this data is also available on a quarterly basis as a searchable database on CD-ROM. The latter is the source of data in this
study, specifically the 1999 second quarter disk listing information for the 1998 fiscal year, as updated to about June 1999 (Statistics Canada, 1999a).

236 Actually 50% plus one, rather than 51%.

237 The classification system now generally used is SIC-C for Corporations. It allows better reporting of financial statistics and more completely incorporate vertical integration and activity in more than one sector.

238 The special editions with these compilations are usually published in June or July of each year. I purchased the electronic version of the compilations and combined the information. In addition to measures like total revenues, assets and profits, the ROB and FP list the number of employees, location of the corporation, sector of activity and some ownership information.

239 The average noon rate of currency exchange in 1998 (Statistics Canada, 2000b) was used to convert $US dollar amounts to $Canadian.

240 The ROB-FP corporations are also a small percentage of the total number of corporations in each enterprise. On the other hand, in most cases, the small corporations are 100% owned by these larger corporations, in which case their financial totals have almost certainly been consolidated with the parent corporation.

241 Having completed the manual matching of the corporation names, I had intended to create a searchable database of the resulting combination of information from the ICO and ROB-FP. This turned out to be more difficult than anticipated, so I restricted my analysis to simple procedures in a spreadsheet file. More extensive analysis would be possible if the information was placed in a database file.

242 The ‘Top 25 enterprise’ sample listed 2430 corporations, of which 89 were duplicated at least once, for a total of 2341. Of this number, 601 corporations were not controlled by the enterprises with which they were listed, leaving a total of 1741 corporations controlled by the 25 enterprises. Names of ICO corporations were not cross-checked against each other, so that there may be some duplicates in the total number (i.e., where one enterprise owns a minority share in a corporation which is controlled by another ‘Top 25’ enterprise. The names of ROB-FP corporations were crosschecked to eliminate duplication. ...

243 I intended to have 75 enterprises in this list, but when constructing the sample I inadvertently duplicated one enterprise because similar but different names were used by the ROB, FP and ICO. The ‘Top 74’ enterprise sample included 5224 associated corporations, of which 99 were duplicated at least once, for a total of 5125. Of this number 1165 corporations were listed as not controlled by the enterprise with which they were listed, leaving a total of 3960 corporations controlled by the 74 enterprises.

244 It is not clear if the ICO includes ‘income trusts’ which are not technically corporations and so are not subject to corporate income tax in Canada.

245 The ranking excludes a few private corporations who probably would qualify but for whom asset or profit totals are not available.

246 The main difference is that while the CALURA enterprise rankings presumably include all corporations under their control and reflects the consolidated financial totals available in CALURA returns, the ‘Top 25’ sample here is ranked on the basis of the largest member corporation as reported by the ROB-FP.

I noted in Chapter 6 that although confidentiality requirements limited the identification of the largest enterprises in Canada, the head of the federal competition bureau stated that 50 largest enterprises in 1977 included the following ‘conglomerates’: Belsburg/First City, Black/Revelston, CP, Edper/Brascan, Hiram Walker, Noca/Husky, Southern/Atco, Weston/Loblaws, BCE, Cemp/Seagrams, Desmarais/Power, Genstar, Imasco, Reichman/Olympia York, Thompson/Hudson’s Bay (Khemani, 1987, 24).
As noted above, there may be duplication of financial totals here where subsidiary corporation totals are consolidated with those of their parent corporations.

The closest comparison available to this rate is the 7.4% quoted above for 1998. The difference between the two figures are likely due to some combination of the difference in the composition of the enterprise group; the fact that the latter is based only on large corporation members (financial data is not available for small companies); and the year (1993 vs. 1998).

The ICO does not state the minimum level of shareholding that is reported. However, the levels reported are as low as 5% (and even less). Since the purpose of the legislation under which this information in collected is to identify the ultimate beneficial owner of corporations in Canada it seems reasonable to assume that all significant shareholders are reported.

US-controlled CEDE & Co. owns 11.73% of Canadian-controlled enterprises TransCanada Pipelines (11.73%) and 38.15% of Alcan Aluminum Ltd. (As will be discussed more below, it also has substantial holdings in other Canadian-controlled corporations like Westcoast Energy Ltd. (23.15%), Northern Telecom Ltd. (24.96%) and Cambior Inc. (11.03%). In addition, the US-controlled Sanford and Berstein owns 11.00% of Alcan Aluminum Ltd. The US-controlled Depository Trust Company owns 11.4% of BCE Inc.

The average level of share ownership in these non-controlled corporations was 21%.

Three are ROB-FP corporations.

The distribution of ownership shares in the corporations associated with the Canadian-controlled members of the ‘Top25’ enterprises is 6% less than 10% (however most of these are Canadian controlled by other means, e.g., as part of family trusts); 14% between 10% and 19.9%; 6% between 20% and 33.32%; 4% between 33.3% and 49.9%; 7% between 50% and 74.9%; 5% between 75% and 99.9%; and 58% at 100% (calculations from author’s database).

While the SIC-E range is not large, these corporations account for a very significant share of the economy (almost half of all corporate assets, though their share is considerably less when measured by revenues).

Government-owned corporations that operate on a commercial basis, e.g. crown corporations, are included.

These limitations have been or may be changed under new financial institutions legislation under consideration in 2000.

This calculation does not consider whether some assets are double-counted when subsidiary totals are included in the consolidated totals of their parents. The 5 banks share of total revenues was about 7%, of profits, 12%.

The CIBC also owns a non-controlling 10.71% of the ‘Top 74’ Newcourt Credit Group enterprise.

Where appropriate I will cite the industry in which the corporation is most active, often using a more popular expression than the official SIC-E classification.

The US-controlled CEDE and Co. may play a similar role as the CDS and Co.

Note that the ICO data only refers to Canada, i.e., it does not report shares in corporations outside Canada.

The ICO does not report an industrial code for the last two corporations, but the ROB-FP describes them as ‘industrial’ in the sense this is defined here.

The FP does not include RBC Dominion Securities in its listings, and reports larger financial totals for Nesbitt Burns.
The other leading investor (29.5%) in Madison Pacific Properties is 1109519 Ontario Ltd., an investment company with major holdings in insurance corporations, and minority holdings in several large industrial corporations (Magna International Inc., Russel Metals Ltd., FPI Ltd., and Primex Forest Products Ltd.).

The SIC-E code for this corporation (7129, Other business financing intermediaries) appears to be in error, so I have used the SIC-C code, Electricity transmission.

The SIC-E code for Repap Enterprises is a holding company, but all its main subsidiaries are involved in wood and paper manufacturing.

This corporation not listed in the ROB-FP, perhaps because it was facing bankruptcy.

According to the Nov 19, 1999 Vancouver Sun, the TD Bank was to acquire another large investment intermediary, CT Financial Services, from B.A.T.’s Imasco Ltd.

The listing here is from the Globe and Mail (1999, 191), which does not include 3rd to 6th ranked trusts in Financial Post (1999, 178), General Trust of Canada, Desjardins Trust, Conner Clark Ltd., and Laurentian Trust of Canada Inc.

Richardson also suggests that trust companies have significant influence over industrial corporations in their role as administrators of trust accounts with significant non-financial holdings. The extent of this influence requires further investigation.

Both are in the process of going public (Financial Post, 1999, 180n), and it is possible this may lead to them becoming more closely associated with another enterprise.

Magna International Inc. is actually categorized as a holding company. I include here to represent the several different industrial corporations commonly associated with the Magna name. The two which are included in the ROB-FP listings are Decoma International Ltd. (motor vehicle parts) and Tesma International Ltd. (motor vehicle parts).

An exception here is Stratos Global, for which no further information is available. However, its revenues are very modest compared to the rest of the ROB-FP corporations, so it did not seem reasonable to group BCE Inc. with ‘financial-industrial’ enterprises on this basis.

CEDE and Co. also owns 38.6% of fellow ‘Top 25’ industrial enterprise Alcan Aluminum Ltd., and shares in many other large industrial corporations.

These corporations are not included in the ROB-FP sample of corporations, but are noted here because they are almost certainly large enough, were they in Canada.

The largest corporation in the EdperBrascan Corporation enterprise is Noranda Inc., with revenues of $6 billion, while the largest corporation in the 25th largest ‘Top 25’ enterprise was Bombardier Corporation with revenues of $8.5 billion. Without considering the issue of how balance sheets are consolidated, the total revenues of the ROB-FP corporations in the EdperBrascan Corporation were about $14.3 billion, compared to La Famille Bombardier’s $8.5 billion.

The ROB-FP corporations in this enterprise are Magna International Inc., a holding company, and its subsidiaries, Decoma International Ltd. and Tesma International Ltd. The ICO designation of Tesma International is ‘financial’ but the ROB-FP considers it ‘industrial, i.e., in auto parts. These Strenach Group companies also have substantial auto parts manufacturing operations in Europe, and this reinforces the logic of considering this an ‘industrial’ enterprise.
I noted above that some of the bank and insurance ‘financial enterprises’ also hold minority shares of ROB-FP ‘industrial’ corporations, but unlike with Le Groupe Desmarais, they represent a very small share of the total revenues of corporations associated with the enterprises.

The ICO reports that this enterprise owns 2.3% of French-controlled Companie Financiere de Paribas S.A., which in turn is 9.0% owned by Belgian-controlled Pargesa Holding S.A.

Canadian Pacific has long been one of the best-known enterprises in Canada, especially given its historic roots in the trans-Canada railway. In 2001, the shareholders accepted a plan to break the company up along industry lines into independent companies (e.g. in hotels, shipping, coal mining). It is not clear how distinct the new ownership of these formally independent companies really is.

Canadian Business (1999, 65) lists Thomson’s net wealth at $20.97 billion, far more than the second place Irving brothers (James, Arthur and John) with $6.67 billion. While Thomson is apparently not a Canadian citizen, he is apparently a resident of Canada for these purposes.

This list includes the top 100 ‘wealthiest’ Canadians, but I restricted my attention to the top 50. I excluded the 5th-ranked individual by net wealth, Jeff Skoll, because the corporations associated with him (Internet auction company eBay Inc.) is not included in the ICO’s list of corporations in Canada. I also excluded 41st-ranked Branco Matic, because there is no corporation listed as being associated with him. As a result, 52nd-ranked Gerald Schwartz and spouse Heather Reisman were included in my sample.

The ranking was based on membership on major corporate boards plus the slightly tongue-in-cheek criteria of membership in prestigious clubs, “wife power”, “who you know”, “charity power”, and owning corporate jets and houses outside Canada.

Conrad Black recently renounced his Canadian citizenship in order to become a British Lord, but this may not change his status for the purposes of this kind of exercise because he may still be a resident. Black has also stated he may regain his Canadian citizenship in the future, and he has retained his green Privy Counselor Canadian passport (Globe and Mail, November 21, 2001).

This total is qualified by the lack of information on how the financial position of subsidiary corporations is consolidated in the totals of their parent corporations.

In addition, the Bronfman family have divested most of their interests in EdperBrascan Corporation in recent years.

Of all ICO corporations controlled by ‘Top 74’ enterprises for which an industry code is available, 54% are in ‘industry’ as defined above, and 46% are in ‘finance’. Of the large-ROB-FP corporations, 50% are in ‘industry’ and 50% in ‘finance’. However, the sectoral breakdown is slightly different by nationality of control. Of the ROB-FP corporations that are Canadian controlled, 45% are in ‘industry’ and 55% in ‘finance’, while 72% of foreign controlled ROB-FP corporations are in ‘industry’ and only 28% in ‘finance’. DaimlerChrysler is US controlled but the Government of Kuwait is an ‘investor’.

The totals here are approximate because they may include some duplicate entries.

The only ROB-FP corporation listed by the ICO as controlled by the Government of Alberta is the Alberta Treasury Branches Deposit Fund. However, the ROB-FP several other corporations as being controlled by Alberta, including Alberta heritage Savings, Alberta Agricultural Financial Services, AEC Pipelines LP and the Alberta Wheat Pool.
For example, it seems likely that the credit relations between ‘financial’ and ‘industrial’ corporations differ by the type of ‘industrial’ activity, e.g., whether the credit is required by a mining corporation to open a new mine, or to help maintain the cash flow of an established manufacturing corporation.

Chapter 8: The structure of industry in Canada

While the CPC does formally consider Canada and imperialist country and Canadian economy to be dominated by finance capital, I group it with the dependency model because it generally describes Canadian finance capital and Canadian imperialism an extension of US finance capital and US imperialism. The CPC’s politics are probably the most Canadian nationalist of any self-described socialist tendency in Canada.

In the 1988 election, Canadian Dimension, a magazine that traditionally reflects political opinion to the left of the NDP editorially urged support for the Liberals in order to defeat the Conservative government’s ‘free’ trade agreement with the US. On the other hand, ‘free’ trade opponent David Orchard ended up running for leader of the Conservative Party, hoping to use it as a vehicle against the Liberals, now the main supporters of ‘free’ trade and ‘continentalism’.

Some writers who agree with other aspects of the imperialist model would probably disagree. For example, Carroll (1986) draws different political conclusions, e.g., he considers the “moral premise” of Canadian dependency, “that the machinations of international capitalist conflict with the needs and aspirations of most Canadians” to be “both valid and inspirational” (Ibid., 186).

The main adjustment is to account for differences in industrial classifications. Where data is missing, estimates are made through sophisticated trend analysis.

He compares this to the Stalinist equation of socialism with simply developing the forces of production after achieving political power. Buck (1948) provides a possible example of an earlier version of this emphasis on manufacturing. The centerpiece of the Communist Party of Canada’s economic strategy he describes is increasing the weight of manufacturing in Canada’s GDP.

In other words, rather than socialism representing the specific political interests of working people it is supported because it furthers national industrialization.

Watkins (1963, 89) discusses the problems of the “new countries” like Canada in terms of a ‘staples trap’, whereby their economies tend to not diversify around their original staple base. One reason for this is the relatively few forward and backward linkages between staple producers and other sectors of the domestic economy. Another reason is described as follows: “[A] more real difficulty is that the staple exporters -- specifically, those exercising political control -- will develop an inhibiting ‘export mentality’, resulting in an over-concentration of resources in the export sector and a reluctance to promote domestic development”. (Ibid.)

Innis and other staple theorists do consider ‘social’ factors, but arguably fail to acknowledge their causal importance. McNally (1981) cites this enigmatic statement by Innis about the importance of transportation technique during the period when the Canadian state took form:

[T]he difficult period of transition from water transport to land transport which dates roughly from the canals of the 1840s to the completion of the Canadian Pacific in 1885 is marked by the struggle for responsible government, the decline of the mercantile system, and Confederation, and these developments were more than a coincidence. (in Innis, 1956b, 15)

While Innis does not state that changes in transportation technique caused these political changes, the thrust of his argument is how transportation affects politics; he gives little attention to the opposite influence.

Innis (1936) also emphasizes that governments in Canada had a more significant economic role than in the United States, especially in building up a national transportation and communications infrastructure. However, the context for this point is Innis’ distinction between the conditions in Canada and those in more industrially advanced countries, not the role of social as opposed to technical or environmental factors more generally. One of Innis’ main
arguments is that Canada required a different economic theory than in Europe. Innis (1956a, 3) wrote: “[A] new country presents certain definite problems which appear to be more or less insoluble from the standpoint of the application of economic theory as worked out in the older highly industrialized countries”. The point is that while social factors in the ‘new’ countries may differ somewhat, they still cannot be subsumed by environmental or technical objections to the ‘problems’ of economic theory from the ‘old’ countries.

300 These include shifts in foreign demand for staple exports, the large ‘overhead’ costs of transportation and other infrastructure, and the tendency to monopoly.

301 It is not quite true to suggest that Innis was the first to identify Canada’s problems in terms of its relation to the external economy. The rich history of early social struggles in Canada focuses on this very point. For example, the leader of the 1937-38 ‘Rebellions’ in Upper Canada, William Lyon MacKenzie seemed to understand the problem: “If I am told that Britain pays this expense and that expense for us, I reply that England actually impoverishes this country, by preventing our establishing home manufactures” (MacKenzie [1834], quoted in Keilty, 1974, 29). Mackenzie compared the lagging development of Upper Canada with a similar, more prosperous area in the US, western New York state to highlight the negative role of colonial rule and the Family Compact.

302 Watkins (1997, 26) cites Clement’s (1981; 1986) studies on mining and fisheries as exemplars of this approach.

303 Levins and Lewontin (1985) describe why this is of cardinal importance in Marxism, especially in distinguishing classical Marxism from other approaches. Lebowitz (1988) identifies how classical and analytical Marxism differ on this issue, and Lebowitz (1992) demonstrates how a failure to apply a dialectical approach results in a one-sided understanding of Marx’s Capital and the political conclusions that flow from Marx’s analysis.

304 McNally (1981) proposes that four points should be considered in explaining Canada’s early development. They are the role of access to land and immigration policy in creating a proletariat in Canada, the effect of different social relations in agriculture on capitalist development, the relative success of the Confederation and the National Policy in creating a home market; and Canada’s entry into world industrial markets at a time when the most advanced countries had already ‘monopolized’ through a process of concentration and centralization of capital.

Dugré (1987) connects the broad role of access to land to the origins of the national oppression of Quebec, Acadians and Native people.

305 Pentland study of early labour markets in Canada is also a good contrast with Drache’s approach to labour markets quoted above, in that he begins with social class relationships and then considers the influence of specific staples trades. While Pentland was not a Marxist, his approach on this point is similar to Marx in Capital. As I discuss in Part I, Marx cited Wakefield’s theory of colonialism as an example of how, in the ‘new’ countries, a working class has to be created by separating people from their own means of production.

306 Macintosh (1967 [1922]) initiated the staples approach to Canada in a 1922 lecture that attempted to show that the Turner’s influential Frontier Thesis about the US did not apply well to Canada. Macintosh’s argument centered on the geographic obstacles to transportation in Canada, which retarded rapid settlement and the emergence of industry based on a prosperous wheat economy. At the same time he emphasized the general importance of wheat as a staple economy. Innis (1970 [1930]) extended the staple focus backwards to include cod, fur and timber, and forwards to describe the nature of industrial commodities like metals, pulp and paper, and hydroelectricity.

307 Wheat is different than other staples, in that the economic linkages that develop through agricultural settlement are more extensive than is true of most staples.

308 Pentland agrees that the canals and railways were built to promote staple exports, but he wrote it was a “supreme irony of history” that while they were built to bind Canada more tightly to transatlantic exchange, in fact they had the opposite effect, of “creating a viable Canadian economy” (Pentland, 1981, 146). He wrote of how their construction involved considerable expenditures on local-produced capital goods and for supplies of food and shelter for the army of workers. Canals and railways also required a smaller but permanent force of better-paid men
to operate them. Local contractors were able to grow into suppliers of rolling stock. Canals opened the way to waterpower for manufacturing. Farmers along rail tracks were able to enter North American markets, and buy the growing supply of home-manufactured goods, like farm equipment, shoes and building products.

309 Watkins (1997, 24) notes that this distinction was originally made by Innis himself and expanded on by Paul Phillips (1985).

310 The classic definition of staples, by G.W. Bertram, is industries “based on agriculture and extractive resources, not requiring elaborate processing and finding a large portion of their markets in international trade” (cited by Richards, in Cameron (1985).

311 Norcliff does not explicitly define ‘new staples’ but it can be reasonably inferred they are represented by the following listed in a table of trade goods (Norcliff, 1996, 33, Table 4): fish, wheat, other animals, food, beverages tobacco, metal ores and concentrates, etc., crude petroleum, natural gas, coal etc., other inedible crude materials, lumber, wood pulp, etc., paper and paperboard, other wood and paper, textiles, chemicals, iron and steel, aluminum, precious metals, other non-ferrous metals, and other inedible fabricated materials.

312 Italy and Germany include some mining with manufacturing, data for Germany is also complicated by reunification with East Germany, and earlier data for Mexico is not very reliable.

313 The sub-sectors in the Statistics Canada data for the primary sector are agriculture, fishing, logging and mining.

314 The Canada’s manufacturing share of GDP in this OECD source is lower than in the sources discussed below (15.18% in 1996, compared to the 17.9% in 1995 and 18.1% in 1997 that are cited in Table 8.16). I used the OECD compilations of national accounts data from various countries in Table 8.14 because it provides one of the best available comparisons of primary sector activities. In turn, the sources used for Table 8.14 focus specifically on the manufacturing sector, and so likely provide more accurate comparisons of this sector.

315 According to this source agriculture composed 5% of Canada’s GDP and services 68%; in the US the equivalent Tables were 2% and 72% (World Forum, 2000, 359).

316 In recent years, a series of international conventions have tried to ‘harmonized’ the data for production and trade. Unfortunately, this ‘harmonized’ data is not widely available, and it does not go far back in time.

317 Primary product share of merchandize exports times goods exports share of GDP for Canada: 32% * 33.4%/2 = 5.34%; for Netherlands: 28% * 43.3%/2 = 6.06. (data from OECD, 1999b, 150).

318 Value added is the value of the output of this sector less the raw materials and intermediate inputs from other economic sectors. It represents the value of labour and fixed capital used up in the production process.

319 The estimate for 1997 was obtained applying the 1995-97 percentage change in the ratio of manufacturing value-added to GDP derived from the OECD sources to the 1995 STAN value. The source of data for manufacturing value added used is also from a STAN series (OECD, 1998a, DSTI (STAN Industrial Database), but it is not clear if it is estimated on the same basis as that used in the specific STAN series on manufacturing value-added/GDP, or if the source used for GDP (OECD, 1999e [from OECD National Accounts,] is different than in the STAN series. The manufacturing shares of GDP for most (but not all countries) calculated using these sources were lower than in the specific STAN series cited in Table 8.16 (e.g., Canada’s rate was 16.54% in 1995, rising 16.78% in 1997; for the US it was 18.23% in 1995, declining to 17.96% in 1997). However, since the two series are presumably consistent over time, the percentage changes in the two manufacturing value added/GDP ratios should be very close.

320 Kellogg (1991, 139) stresses this point, citing OECD data for 1987 that showed both Canada and the US had the same manufacturing share of GDP, 18.6%. While the gap between the two rates has not been large, the OECD sources cited in Table 8.16 show that until 1994 the US rate was at least a percentage point above Canada’s rate.
The usual way to measure sector shares of GDP is in terms of value added, but I have not included value added in this title because the UN source for data in 1950 and 1960 does not specify it used value added to calculate the manufacturing share of GDP reported for those years.

The 1947-48 Abbott Plan was an agreement between Canada and the United States designed to greatly increase Canadian exports to the US, especially of resource products. One motivation was the need to reduce the large deficit in Canada’s balance of payments with the U.S. due to Canada’s large imports during WW2.

Table 8.16 indicates that between 1950 and 1995 Canada’s 11.1 percentage point decline was also a little less than the 11.9 average for other countries, although the accuracy of the data for 1950 is open to some question.

The issue of the changes in the manufacturing sector of GDP should also be considered in the light of the productivity-driven, greater-than-average decline in prices in the manufacturing sector (I address this issue in a different way in the section below). A 1994 OECD study shows that there is a significant difference in the trend in the manufacturing share of GDP when this ratio is expressed in constant rather than current prices. (OECD, 1994). Calculating the prices of industrial goods in constant dollars is a complex and difficult exercise designed to capture most of the effects of both general money inflation and industry-specific price movements. This includes efforts to incorporate changes in the quality of products over time (a good example is the change in the speed and memory capacity of computers).

The OECD study reports that between 1970 and 1989 the manufacturing share of GDP expressed in current prices declined in all 13 countries considered (Ibid., 35). However, of the 9 countries for which they had data on the constant dollar manufacturing share of GDP (unfortunately Canada was not one of these countries), only five witnessed a decline in this ratio. It remained constant in three others (Denmark, Italy and the U.S.), and actually increased in one country (Japan). The main reason that industrial prices have lagged behind general prices is, of course, the much faster rise of productivity in manufacturing compared to other sectors, especially services. As a result the nominal valuation of production in this sector is deflated more rapidly than in other sectors.

The final qualification regarding the declining relative weight of manufacturing is that functions that were previously carried out within manufacturing corporations are increasingly 'outsourced', and so counted under sectors, especially services. Coffey (1996, 340) argues that the “empirical evidence is categorical” on whether the rise in services is a function of shifts from in-house service production to external purchase of services. He writes that “growth in output and employment has been achieved in in-house and external producer services simultaneously; a simple displacement of internal producer services to free-standing establishments is clearly not occurring.” However, the shift to external firms accounts for part of the growth in services (and so the decline in manufacturing), and it seems likely the shift out of manufacturing firms has been greater than service sector firms. The net shift in statistical allocation of activity from manufacturing to service sectors probably may account for a couple of percentage points in the decline in the manufacturing sector’s share of GDP.

For an explanation of the methodology used, see OECD, 1999a, Indicators of Industrial Activity, Sources and Methods, Quantitative Indicators. Paris: OECD. This data includes Turkey, Mexico, s. Korea and Portugal, countries where industrial production has increased more rapidly than in more advanced capitalist countries.

Statistics Canada data shows there were 1.840 million manufacturing employees in 1997 and 1.704 million in 1977, a difference of 7.9% (Statistics Canada, 1999c, 2). Manufacturing employment in 1997 was 12.5% greater than the 1.637 million in 1970.

Bairoch describes these numbers in terms of “industrial output” but his definition of industry is very similar to the conventional definition of manufacturing, e.g., he excludes mining, construction, electricity, gas, water and sanitation sectors that are sometimes included under the general category of “industry” (Bairoch, 1982, 322).

Bairoch (1982, 331) reports that he used physical production data, weighed by the relative contribution of each sector, and sometimes consumption data and trade data (Ibid., 331). I did not use the OECD series described above.
that adjusts these nominal totals to account for changes in the price level and physical output in order to avoid confounding Bairoch’s methodology with the OECD methodology.

329 Bairoch’s data also shows that until 1980 there was a steady rise in the Canadian per capita industrial output relative to that in the US -- from 33% in 1860 to 37% in 1913, 52% in 1953 and 60% in 1980 (calculated from Bairoch, 1983, 281).

330 In my earlier discussion of Table 8.17 on ‘real’ manufacturing output, I noted that by this measure Canada had done slightly better than the EU between 1988 and 1997. The difference between this physical measure of manufacturing output and the value measure in Table 8.19 suggests that the currency exchange rates may account for part of difference between the record in Canada and the US, but this probably explains less of Canada’s record relative to that in Europe, where the value of currencies relative to the US dollar have also declined. Unfortunately the OECD data on manufacturing used in Table 8.19 and 8.8 is not available after 1997, but other series show that manufacturing growth in Canada from 1998, 1999 and 2000 was strong, and may result in slightly different comparisons that those based on 1997.

It may be noted that some other measures express different trends in relative performance than those in Table 8.19. Recent studies by both Statistics Canada and the Centre for the Study of Living Standards (CSLS) found that between 1990 and 1997, the growth in aggregate (economy-wide) productivity, business sector productivity in Canada were all greater than in the US (Sharpe, 1999, 1). When it comes to manufacturing, the detailed estimates of labour, capital and total factor productivity by the CSLS indicate the growth in productivity in this sector in Canada lag behind that in the US. For example, the average compound rate of growth of value added per person hour between 1989 and 1997 was 2.35% in Canada compared to 2.90% in the US. However, when the productivity increases are broken down to the industry level, almost all the overall productivity growth in manufacturing in the US is due to two industries, industrial machinery and equipment, and electronic and other electronic equipment. Productivity growth in manufacturing industries in Canada was more broadly-based, and in fact was greater than the US in 11 of the 19 two digit SIC industries. Finally, the ‘total factor productivity’ average compound rate of growth in Canada between 1989 and 1997 was 2.31%, only slightly less than the US rate of 2.32% (Ibid.). This study raises the issue of whether the official US estimates of the output of the industrial machinery and electronic equipment industries in the US may be exaggerated.

331 See the quotes by Hurtig (1992) and Black (1992) and Merrett (1996) about ‘free’ trade above. Since Merrett’s book specifically analyses the effects of the FTA it is worth considering his claims. He argues the job losses in the early 1990s were a direct consequence of both the provisions of this agreement (“[T]he FTA also accelerated deindustrialization through tariff reductions” (Ibid., 96), and an indirect consequence of the “informal currency agreement” linked to the FTA whereby Canada agreed to keep interest rates high and consequently suffered an earlier, deeper and longer recession than in the U.S. The argument about interest rates, which Merrett describes as being advanced by “Canadian labour leaders and Left intelligentsia” (Ibid., 127-129), assumes that the Canadian state acts in the interests of foreign (US) capital rather than the Canadian bourgeoisie (e.g., it does not focus on the advantages Canadian capitalist exporters gain by the resulting decline in the value of the Canadian dollar, the windfall profits to lenders, and perhaps most importantly, the labour-disciplining effects of the layoffs and cutbacks that result). Merrett (Ibid., 281; 282 ) lists a series of “job relocations since 1989” totaling “42,062 Canadian jobs” but fails to provide any evidence these jobs were actually “relocated” to the US or Mexico (elsewhere he more accurately describes them as “corporate relocations”).

From the point of view of Canadian capitalists, the fundamental problem remains the level of unionization and the size of the social wage in Canada. Despite the fact that average money incomes in the US are significantly higher than in Canada, a recent study that carefully accounts for money income, income disparity, tax rates, social benefits and purchasing power parity shows people in Canada in the lowest one-third of incomes are absolutely better off than those in lowest one-third of incomes in the US, and that income disparity has increased less in Canada than in the US since 1985 (Wolfson and Murphy (2000, 3.21).

Statistics 1997, Paris: OECD for the International Standard Industrial Classification (revision 2), and Statistics Canada, 1997e, Standard Classification of Goods 1996, Ottawa: Minister of Industry, for the list of 'sections' and 'chapters' based on the 'harmonized' commodity description and coding system. Further amendments to this system are being incorporated into the NAFTA-mandated system that will be common the Canada, the US and Mexico.

Cunningham and Zboril (1997, xxi) note there are significant differences by region. They reports that first-stage intermediate goods make up a significant proportion of manufactured shipments in BC, Alberta and the Atlantic provinces, intermediate goods are the most significant to Quebec, BC, Alberta and the Prairies, and finished goods are the largest category in Ontario.

Calculated as the manufacturing share of GDP (17.9%) times the first- and second-stage intermediate product share of manufacturing. I ignore other sectors that could be partly associated with staples, like transportation and energy infrastructure (e.g., railways, hydroelectricity).

See the description of this series on the Federal Reserve web page www.federalreserve.gov/releases/G17/ip_notes.htm, or Federal Reserve (2000). A second US series is grouped by industry into primary process manufacturing and advanced process manufacturing. This approach is less analogous to the Canadian data because the categories are based on the properties of products rather than how they are used, as in the market-oriented grouping. In the ‘industry group’ series, 39.02% of manufacturing is categorized as ‘primary processing’ and 60.98 as ‘advanced processing’.


Calculation from Federal Reserve (2000). A further complication in this comparison is that the Canadian proportions are in terms of the value of shipments while the US proportions are in terms of value added. The latter would presumably raise the percentage share accounted for by ‘final products’ since they embody more value-added relative to the value of output or shipments.

This pattern may be compared to a second US series, which divides manufacturing into ‘primary processing’ and advanced processing’. The latter share of the total increased between 1988 and 1996 (Cunningham and Zboril, 1997), and so it could be concluded that ‘advanced processing’ has demanded increasing material inputs.

It is not entirely appropriate to refer to Williams as a ‘dependency’ writer given that he explicitly rejects the argument that Canada can really be compared with the “classic underdevelopment” of the colonial hinterlands. Williams characterizes Canada as a ‘region in the centre’ rather than being part of the ‘periphery’ of world capitalism. In his article with Clements (Clements and Williams, 1997) it is also obvious that Williams disagrees with some of the left-nationalist focus and criticism on the FTA and NAFTA. However, I think that what is key is that Williams does not consider Canada an independent capitalist power. In general terms, his analysis of Canada’s “industrial weakness” (Williams, 1983, 6) is consistent with the rest of the ‘dependency’ position discussed here. He writes: “[I]nstead of adopting a policy of international specialization through production for world markets of a number of technologically innovative lines, Canadian state and economic elites chose a much less ambitious alternative that is strikingly similar to that known in the underdeveloped periphery of the world as import substitution industrialization (ISI).” The result is an “industrial structure with little potential to grow beyond its domestic horizons” (Ibid., 12-13).

In Canada, ‘Fabricated materials, inedible’ are defined as those commodities which have undergone some preliminary processing and which will be consumed in further manufacturing operations and so change their form or identity (see Statistics Canada, 1973b, p. 5). Some of these commodities “are the products of highly sophisticated industrial processes” (Ibid.,) but they remain in this category because they are still used as inputs to manufacture final goods or articles. This category includes leather, rubber belting, lumber, paper, textile fabrics, chemicals, primary metals and basic metal shapes, and petroleum fuels. ‘End products, inedible’ are commodities, which are
regarded as finished articles (plus finished parts, attachments and accessories) rather than materials. This category includes machinery, vehicles, electric appliances, drugs and medicines, clothing and footwear, and paper goods and printed matter.

The manual describing this classification system acknowledges, “there are problems in the proper allocation of fabricated materials and end products” (Ibid.) It illustrates the logic of the classification by the difference between a nail and a needle. The nail is deemed a material because it is incorporated with other materials into a final product. In contrast, the needle is not consumed during production, even though it is used with other materials. It retains its identity as an article and can be re-used, and so qualifies as an end product.

It is not obvious this logic can be applied to all products, or that the conceptual difference between a material and an article is always the most important one to make. Kellogg (1991) criticizes this logic on both empirical and methodological grounds. For example, some writers consider ‘fabricated materials’ to be staples or ‘new staples’ (see Norcliff, 1996), but not all goods in this category are produced in ‘low technology’ or low value-added sectors, or are largely destined for export. Similarly, many end products are not high-technology, high value-added goods, e.g., some are simple items packaged for direct sale to consumers.

341 In some respects, the original definition of ‘finished manufactures’ by Maisels (1963, 518) may be a little broader, e.g., it includes some fabrics and basic metal goods that would fall under ‘fabricated materials inedible’ in the latter classification.

342 The ‘semi-industrial’ group’s finished manufacture's share of exports in 1980 ranged from 7% to 23% (Williams, 1983. 9).

343 Kellogg (1991) contrasts Williams’ negative appraisal of this record with what he argues is the more balanced analysis of Canada’s industrial structure by the McDonald Royal Commission in 1985. The Commission (Canada, 1985, (Vol 1), 236) reported that the manufactured end product’s share of total exports rose from 4.6% in 1954 to 42.7% in 1984, while the fabricated material’s share declined from 52.8% to 31.2%. This substantial shift from resource extraction and initial processing to finished manufactures led the Commission to conclude that Canada “entered the world of the 1980s as a developed industrial state” (Ibid., 233).

344 One wonders, however, if a small concession to ‘optimism’ (recall his early objections) is not evident in the fact that the subtitle of the 1994 edition of this book was changed from “the political economy of Canada’s arrested industrialization” to “the international competitiveness of Canadian manufacturing”.

345 I do not agree with Williams’ classification of countries here, e.g., with Australia in the “semi-industrial” category, or that in recent decades that Thailand and the Philippines should be grouped with Zaire and Burma in a “non-industrial” category.

346 I was unable to replicate William’s (1994, 20) data for 1980 or 1990 using the United Nations source he cites (International Trade Statistics Yearbook) and the division of manufacturing sectors between ‘intermediate goods’ and ‘finished manufactures’ he relies on (from Maisels, 1963, 518). As noted above, in some respects the original definition of ‘finished manufactures’ by Maisels seems to be little broader than ‘end-products’, e.g., it includes some fabrics and basic metal goods that would instead fall under ‘fabricated materials inedible’ in the later classification.

347 ‘End products’ includes auto and auto parts, aircraft and parts, industrial and agricultural machinery, television and office equipment, and other consumer goods and end products. (As noted above, the other major category of manufactured products is ‘fabricated materials, inedible’ (lumber, pulp, paper, chemicals, petroleum and coal products, primary metals and basic metal products, textiles). The trade categories that roughly correspond to the primary sector are ‘crude materials’ (mostly metal ores, concentrates and scrap, crude petroleum, natural gas, coal, crude non-metallic minerals) and some of ‘food, feed, beverages and tobacco’.)
In the 1983 edition of the book Williams also notes that Canada has only been in surplus in Auto Pact trade for 3 of its 16 years, so that "its net advantage in total trade picture is less than clear." (Williams, 1983, 9). The 1994 edition omits the reference to Auto Pact deficits; perhaps this because Canada has had such a strong surplus in this sector.

Kellogg (1991, 79) reports that finished manufacture exports excluding autos were 29.9% of total exports in 1988 (and this was down from 32.0% in 1986), so it seems possible the 1990 rate quoted by Williams may reflect the influence of the recession at the end of the 1980s.

According to Williams' data, the total end product's share of exports rose by 34% from 1980 to 1990 (from 32% of the total to 43%), the auto products share rose 27% (from 22% to 27%), and the average of the industrial country's end products share of exports rose 15% from 56.72% to 65.33% (Williams 1994).

Foreign ownership in Canada is high, and it is likely that the rate of intra-firm foreign trade is also higher than in most countries. A Canadian government study estimated that foreign-controlled firms carried out 64% of imports to Canada and 61% of exports in 1984, and half of all imports were intra-firm (Alam and Oldenburg, 1989, cited in Porter, 1991, 48).

Another argument, raised by Hurtig (1992), is that Canada suffers from intra-firm trade as a result of transfer pricing. He cites evidence from Eden (1991, 92-112) that foreign corporations in Canada practice extensive intra-firm transfer pricing to benefit from lower tax jurisdictions (like the U.S.). Given the level of foreign ownership in auto, Eden estimated that 90% of the auto trade in Canada involves some degree of transfer pricing (Ibid.). This may well be true, but Williams' (1994, 21) concern was for what trade in auto tells us about "the capacity of Canadian industry to be internationally competitive as an industrial exporter". The transfer pricing argument suggests that foreign firms benefit from this practice precisely because of Canada's competitive capacity. If it were otherwise, there would be no profits to gain through transfer pricing.

Norcliff does not define 'new staples' but it can be reasonably inferred they are represented in his listing in Table 4 (Norcliff, 1996, 33) as fish, wheat, other animals, food, beverages tobacco, metal ores and concentrates, etc., crude petroleum, natural gas, coal etc., other inedible crude materials, lumber, wood pulp, etc., paper and paperboard, other wood and paper, textiles, chemicals, iron and steel, aluminum, precious metals, other non-ferrous metals, and other inedible fabricated materials.

Norcliff does not label his commodities in terms of food, crude materials, fabricated materials, and end products, but they appear to be grouped on this basis (they are in his Statistics Canada source), so I have re-grouped his data into the more familiar Statistics Canada classification system. However, I have not re-confirmed that Norcliff's data correspond to that in Statistics Canada under these groupings.

"End products" corresponds to "Industrial Machinery" through "Other End Products" in Norcliff's (1996) Table 4 on P. 33.

Norcliff (1996, 26) does acknowledge that the "new staple economy...has had some short-run successes", and part of his pessimism about Canada's longer-term economic future is rooted in the argument that natural resources in Canada are being rapidly exhausted. While a valid concern, this point is different than the structure of Canada's trade, the focus of his analysis.

Smith (2000, 359) makes a similar point in discussing Glenday's (1989) description of Canada as "rich but semiperipheral". He argues Glenday misinterprets his comparison of the export/import ratio in eight countries between 1976 and 1986, especially in placing Canada just outside what he defines as the developed capitalist core despite the fact the distance between Canada and the US and the UK is about the same as between these two countries and Italy. Further, during this time Canada's export/import ratio rose while the ratio in the US fell.

An OECD study that disaggregates trade along the general lines discussed is limited to trade with members of the EU. It divides trade goods into primary products, intermediary products, capital goods and consumption goods,
mainly on the basis of their use. The intermediate good category includes processed food and beverages, mainly for industry; processed industrial supplies; processed fuels and lubricants; parts and accessories of capital goods; and parts and accessories of transport equipment (OECD, 1999b, 66). It thus includes many manufactured exports from Canada like basic metals, fabricated metal products, lumber, pulp and paper, chemicals and rubber and plastic products. These products are included in the more detailed listing of the contents of the ‘intermediate goods’ category in the paper where the methodology used by the OECD was developed, by Freudenburg and Lemoine (1999, 94). The OECD data shows that Canada’s exports to the EU in 1996 included a higher proportion of intermediate products than the exports from most OECD countries (57.4% compared to the OECD average of 49.2%). However, this rate was not much higher than the US rate (54.4%), or the rates for the other members of the G7 ranging from 44.8% for Japan and 52.9% for Germany (Ibid., 158). As would be expected, the primary product share of Canada exports to the EU was also greater than the OECD average, the exports of capital goods were a little lower and of consumption goods substantially lower (but not far from those from the US). In general, this study is consistent with the argument made here, that while the are differences between Canada and other industrialized countries they are not great enough to distinguish Canada’s political-economic status in qualitative terms.

359 Despite the considerable effort that has been put into developing comparative data on R&D the OECD notes there are still significant limitations that should be recognized, e.g., that expenditures on R&D are probably underestimated for s. Korea, the US and Sweden, though previous overestimates for Japan have been partly corrected (OECD, 1999b, 28).

The OECD averages reported in this source appear to be the total R&D expenditures divided by total GDP, i.e. they are weighted towards the large economies of the US and Japan. The simple average of the rates for the OECD countries is less – only 1.69%. The OECD countries include Mexico, S. Korea, Czech Republic, Hungary and Poland.

360 The OECD defines the business sector as ISIC Rev. 2 Divisions 1 to 9 (OECD, 1999b, 18)

361 The OECD and EU rates are again weighted by the size of the economies; the simple average of OECD rates was 1.05%.

362 The 1981 OECD rate was 1.6%, the EU rate 1.4% and Canada’s rate 0.8% in 1981. Note that the 1981 OECD rates do not include countries like Mexico, s. Korea, Czech R., Hungary, Poland or Turkey. The annual growth rates between 1991 and 1998 were, OECD -0.7%, EU -0.3% and Canada 2.3% (OECD, 2000, 241).

363 The OECD algebraically disaggregates the effect of the change in the ratio of R&D to value added into an ‘intra-sectoral effect’ (change in R&D intensity independent of industry structure), a ‘structural effect’ (change in the share of R&D intensive sectors in total value added) and a ‘cross effect’ (change in R&D intensity in industries whose share of value added has changed). (OECD, 1999b, 141).

364 It defines the total investments in ‘knowledge’ as the sum of the expenditures on R&D (after deducting the equipment component of R&D), plus public spending on education (less that which overlaps with R&D expenditures) and investment in software (not including that by individuals and operational services to firms).

365 The OECD definition of ICT includes computer system central units, storage devices, printers, bundled operating systems and data communications equipment; IT software, services, internal IT spending including the internal portion of information systems’ operating budgets, internally customized software, capital depreciation and other IT expenses not tied to a vendor; and the public telecommunications network equipment, private network equipment and telecommunications services (OECD, 1999b, 20).

366 The OECD also reports that Canada is 2nd in the G7 in the rate of “household PC penetration” and the number of internet hosts/capita and secure web servers/capita (OECD, 1999b, 23, 24). Canada ranked fifth among G7 countries in a combination of financial, procurement, and science and technology infrastructure support to industrial R&D as a share of the domestic product of industry, and first among G7 countries (second in the OECD) in tax subsidies for R&D by large firms (Ibid., 39, 40).
Ratios for some countries are for earlier years. The average quoted here was calculated as the simple average of the 22 OECD countries; when weighted by the size of their business sectors the average was 49.9%; for the EU (excluding Austria, Belgium, Ireland, Luxemburg, and Portugal) it was 47.7% (from OECD, 2000, 220).

These 10 countries were used because input-output data, which is necessary to calculate the values for R&D intensity, was available.

In Table 8.28, the averages reported for the OECD and G7 are simple averages, i.e., each country has the same weight (the OECD average reported in the source for this data appears to be a weighted average).

The percentages reported by the source for this data do not all add up to 100, e.g., for Mexico, s. Korea, Ireland.

The trade account in question includes consultancy services, royalties, management services and R&D (Britton, 1996b, 258). Britton notes there was a surplus in the consultancy services but that in other “service categories, Canada’s deficit is increasing.”

Attention to the skill level and organization of labour also helps avoid the fetish for physical forms of technology that is characteristic of most data on R&D. The organization form of production, e.g., specialized labour, cost accounting, the assembly line and ‘just-in-time’ inventory systems have contributed to efficiency gains, not just the physical machinery or processes developed in R&D departments. R&D data do not generally include any of the efforts of behavioral and social scientists, as if expenditures in these areas are not also relevant to developing technology.

Chapter 9: Conclusion

In labour and social movements, political issues are often posed in practical terms, like which alliances should be built at a given moment or what campaign should be prioritized. I thought that the huge effort by the labor movement in Canada to mobilize unions against the policy of ‘free’ trade would have accomplished much more if these resources were directed towards active support of unions and social movements in Canada who were engaged in actual struggles with their employers and governments. Very often only sentiments of support were offered, with the explanation that money and bodies were required for the campaign against ‘free’ trade. And, instead of allying with a rising Québec national movement against Ottawa, the labor leadership set out to build a movement for Canadian sovereignty that re-inscribes the powers of the federal state.

For example, he writes that nationalism was expressed more by business newspapers like the Financial Post than by left-literary magazines like The Canadian Forum or the labour movement’s The Canadian Unionist (Resnick, 1977).

This is what I remember of my high school history textbook, Kenneth W. McNaught and Ramsey Cook (eds.), 1963, Canada and the United States, A Modern Study. Toronto: Clark, Irwin and Co. Ltd.

An aspect of Canada’s history that has not been adequately factored in to alternative accounts is the role of the Native majority population until the 19th century.

The ‘new’ Canadian political focused on the conflict within the bourgeoisie between industrial and mercantile or commercial capital. This, however, misses the main social conflict in an agrarian society, i.e., over access to land. Another aspect of note is the role of land in the “primitive accumulation of capital” in Canada, something that also connects capitalist development in Canada to the national oppression of Natives, Québec and Acadians. Dugré (1987) gives central place to the issue of land in discussing the roots of national oppression in Canada.

The CPC has had some influence on recent Canadian political economy, but its current analysis differs in that it argues that in formal terms Canada is an imperialist country. However, since the late 1940s the party has, in practice, advocated a Canadian nationalist political strategy.
Briefly, this factionalism involved the purging of those not willing to accept the direction of the Stalin-lead Comintern. This included supporters of the Left Opposition (Trotskyists) like the editor of The Worker, Maurice Spector, and later on, those unwilling to implement the Comintern’s ultra-left “Third Period” tactics, like long-time CPC Secretary-Treasurer Jack MacDonald. At points, it included the Comintern’s effort to displace the Tim-Buck-Stewart Smith leadership until, as Angus (1981) details, they learned to endorse every twist and turn taken by Comintern leadership.

It is ironic that the characterization of Canada adopted by the CPC at the time it came under direct control by the Stalinist Comintern is actually very similar to the position adopted by the Left Opposition to the CPC in Canada and the US. Penner (1977, 1982) and Angus (1981) have documented several points where the CPC has provided an inaccurate history of the role of leaders who joined the Left Opposition. One is the CPC’s effort to associate the Canadian Independence approach primarily or exclusively with Maurice Spector and Jack MacDonald (see CPC, 1981), rather than with Tim Buck and Stewart Smith. While there is no doubt that Spector authored much of the original position and that MacDonald endorsed it until early 1928, the documents in the Comintern Fonds also suggest they were among the first in the CPC leadership to re-think the assumptions involved.

This re-thinking is evident in Spector’s 1928 article in The Canadian Labour Monthly (Spector, 1928). The contents of a “Report of the Canadian Party to the ECCI” (CF Reel 273-7) suggests that McDonald was one of the first to raise these issues. It refers to a report by him in Moscow on economic and political developments in Canada, and includes a “Supplement, Special points which Comrade McDonald want to be discussed. 1) Correctness of the ‘Canadian independence’ slogan, 2) Question of ‘Amalgamation’ of the two trade union congresses” (‘Amalgamation’ really meant asserting the need for ‘Canadian’ unions, as I discussed in Chapter 3). There is no date included but it refers to dues paid to April 1928 so it must have been after than time, and was presumably written before or when MacDonald was in Moscow for the Comintern’s Sixth Congress in late August-early September. Leslie Morris’ letters from Moscow around the time of the Comintern’s Sixth Congress report that Spector and MacDonald did not disagree with Morris’ view, that Canada was imperialist, and that the Independence demand should be abandoned (see, e.g. his July 19 letter to “Joe”, CF Reel 273-7, cited in Chapter 3).

The most consistent supporter of the Independence perspective in the CPC was undoubtedly Tim Buck, who defended the independence demand and opposed the arguments that Canada was an independent imperialist power right up to 1931 when he finally submitted to the Comintern’s demand to express the opposite opinion. The other main supporter of this approach within the party during this period was Steward Smith.

Porter (1929b, 626).

I noted that both the leaders of the CPC and the Comintern continued to support the demand for Canadian Independence for a period after abandoning the claim that Canada was still a British colony. However, when it was finally clearly determined that Canada was an independent imperialist country, it was obvious that the independence demand could no longer be sustained. From a communist point of view such a demand diverted attention from the role of the domestic bourgeoisie in Canada, and so expressed a nationalist rather than socialist opposition to imperialism.

On the other hand, Resnick (1989) argues that it was only in recent decades that Canada ascended to ‘core’ status in the world system.

For example, nationalist opponents of ‘free’ trade generally assumed that Prime Minister Mulroney’s ‘sellout’ of Canada’s ‘national interests’ in this trade deal reflected the control exercised by US capital over the Canadian state. If the Canadian state is instead controlled by Canadian capital, then Mulroney’s claim that he was motivated by the fact that Canadian capitalists had grown strong enough to directly compete in the US market deserves more serious consideration.

In the past, Statistics Canada has published data on capital owned and controlled by Canada abroad. The latter total includes both the amount owned from Canada, and the locally-owned portion that is also controlled from
Canada, and so offers a useful corrective to the official investment figures often cited, which refer only the amount owned.

384 Khemani (1987, 18). The three types of concentration are industry (sector), aggregate (economy-wide) and ownership.

385 The ranking of corporate size is in terms of 1998 annual revenues.

386 See Table 8.19 in Chapter 8.
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## Appendix

### Table A.1: The Irving Group enterprise

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<td>CAN</td>
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</table>

Source: adapted from Statistics Canada (1999a).
The column headings are: CTL - Country of control; SICE - Standard Industrial Classification (Establishment); RES - province (or other country) of headquarter residence; % - percent equity ownership by parent company listed above; C - [Classification]: D indicates not controlled by this enterprise; R indicates a repeat listing; Level and corporation name – level in terms of this enterprise tier of ownership; INV - a (non-controlling) investor, i.e., part owner of this enterprise.
Table A.2: Ranking of corporations and associated enterprises by revenues

<table>
<thead>
<tr>
<th>Rank</th>
<th>ROB-FP Corporation</th>
<th>1998 Revenue ($000)</th>
<th>Associated ICO enterprise</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BCE Inc. (De98)</td>
<td>32,748,000</td>
<td>BCE Inc.</td>
<td>1</td>
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<tr>
<td>2</td>
<td>General Motors of Canada (De98)</td>
<td>31,800,000</td>
<td>General Motors Corp.</td>
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</tr>
<tr>
<td>3</td>
<td>Ford Motor Co. of Canada (De97)</td>
<td>27,911,591</td>
<td>Ford Motor Corporation</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Nortel Networks (De98)</td>
<td>26,927,164</td>
<td>BCE Inc.</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Chrysler Canada (De98)</td>
<td>20,712,000</td>
<td>DaimlerChrysler A.G.</td>
<td>4</td>
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<tr>
<td>6</td>
<td>Canadian Imperial Bank of Commerce</td>
<td>19,804,000</td>
<td>Canadian Imperial Bank of Commerce</td>
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<tr>
<td>7</td>
<td>Royal Bank of Canada (Oct98)</td>
<td>19,761,000</td>
<td>Royal Bank of Canada</td>
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<td>8</td>
<td>TransCanada PipeLines (De98)</td>
<td>17,385,000</td>
<td>TransCanada Pipelines Ltd.</td>
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<td>9</td>
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<td>17,239,000</td>
<td>Bank of Montreal</td>
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<tr>
<td>10</td>
<td>Seagram Company (Oct98)</td>
<td>16,441,647</td>
<td>Charles Rosner Bronfman Group</td>
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</tr>
<tr>
<td>11</td>
<td>Bank of Nova Scotia (Oct98)</td>
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<tr>
<td>12</td>
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<tr>
<td>13</td>
<td>George Weston Ltd. (De98)</td>
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<tr>
<td>14</td>
<td>Power Financial (De98)</td>
<td>14,987,000</td>
<td>Le Groupe Desmarais</td>
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</tr>
<tr>
<td>15</td>
<td>Great-West Life (De98)</td>
<td>13,756,000</td>
<td>Le Groupe Desmarais</td>
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</tr>
<tr>
<td>16</td>
<td>Great-West Life Assurance (De98)</td>
<td>13,755,000</td>
<td>Le Groupe Desmarais</td>
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</tr>
<tr>
<td>17</td>
<td>Sun Life Assurance of Canada (De98)</td>
<td>13,696,000</td>
<td>Sun Life Assurance of Canada</td>
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</tr>
<tr>
<td>18</td>
<td>Toronto-Dominion Bank (Oct98)</td>
<td>13,194,000</td>
<td>Toronto-Dominion Bank</td>
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<tr>
<td>19</td>
<td>Loblaw Companies (Ja99)</td>
<td>12,530,000</td>
<td>The Weston Group</td>
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<tr>
<td>20</td>
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<td>11,894,462</td>
<td>Alcan Aluminium Ltd.</td>
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<td>Manulife Financial (De98)</td>
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<td>The Manufactures Life Insurance Company</td>
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<tr>
<td>22</td>
<td>Bell Canada (De98)</td>
<td>10,561,000</td>
<td>BCE Inc.</td>
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</tr>
<tr>
<td>23</td>
<td>Canadian Pacific (De98)</td>
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<td>Canadian Pacific</td>
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<td>24</td>
<td>Thomson Corporation (De98)</td>
<td>9,376,158</td>
<td>The K.R. Thomson Group</td>
<td>23</td>
</tr>
<tr>
<td>25</td>
<td>Magna International (Ja98)</td>
<td>9,307,300</td>
<td>Stronach Trust</td>
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<tr>
<td>26</td>
<td>Onex Corporation (De98)</td>
<td>9,135,131</td>
<td>G.W. Schwartz Group</td>
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<td>27</td>
<td>Ontario Hydro</td>
<td>8,979,000</td>
<td>The Government of Ontario</td>
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<td>28</td>
<td>Hydro-Quebec</td>
<td>8,812,000</td>
<td>Le Gouvernement du Quebec</td>
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<td>29</td>
<td>IBM Canada (De98)</td>
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<td>International Business Machines Corp.</td>
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<tr>
<td>30</td>
<td>Imasco Ltd. (De98)</td>
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<td>B.A.T. Industries PLC</td>
<td>29</td>
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<tr>
<td>31</td>
<td>Bombardier Inc. (Ja98)</td>
<td>8,430,700</td>
<td>Le Groupe de l'Famille Bombardier</td>
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<tr>
<td>32</td>
<td>Quebecor Inc. (Ja98)</td>
<td>8,307,700</td>
<td>Les Placements Peladeau Inc</td>
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</tr>
<tr>
<td>33</td>
<td>Imperial Oil (De98)</td>
<td>7,955,000</td>
<td>Exxon Corp.</td>
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<tr>
<td>34</td>
<td>Movement Caisses Desjardins</td>
<td>7,675,000</td>
<td>Les Placements Peladeau Inc</td>
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<td>35</td>
<td>Westcoast Energy (De98)</td>
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<td>Westcoast Energy Inc.</td>
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<td>Southland Canada (De98)</td>
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<td>Ito-Yokado Co. Ltd.</td>
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<td>37</td>
<td>Hudson's Bay Co. (Ja99)</td>
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<td>Hudson’s Bay Co.</td>
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<td>38</td>
<td>London Life Insurance Group (De98)</td>
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<td>Le Groupe Desmarais</td>
<td>37</td>
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<td>Amoco Canada Petroleum (De97)</td>
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<td>BP Amoco PLC</td>
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<td>Canada Life Assurance (De98)</td>
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<td>McCain Foods (Ja98)</td>
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<td>49</td>
<td>Canada Post Corp.</td>
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<td>50</td>
<td>Petro-Canada (De98)</td>
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<td>The Government of Canada</td>
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## Table A.3: Ranking of corporations and associated enterprises by assets

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<tr>
<th>Rank</th>
<th>ROB-FP corporation</th>
<th>1998 Assets ($000)</th>
<th>Associated ICO enterprise</th>
<th>Rank</th>
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<tbody>
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<td>1</td>
<td>Canadian Imperial Bank of Commerce</td>
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<td>Royal Bank of Canada(Oc98)</td>
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<td>Bank of Nova Scotia(Oc98)</td>
<td>233,588,000</td>
<td>Bank of Nova Scotia(Oc98)</td>
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<td>4</td>
<td>Bank of Montreal(Oc98)</td>
<td>222,590,000</td>
<td>Bank of Montreal(Oc98)</td>
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<td>5</td>
<td>Toronto-Dominion Bank(Oc98)</td>
<td>181,831,000</td>
<td>Toronto-Dominion Bank(Oc98)</td>
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<td>6</td>
<td>Sun Life Assurance of Canada(De98)</td>
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<tr>
<td>8</td>
<td>Caisse de Depot et Placement</td>
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<td>9</td>
<td>Great-West Life Assurance(De98)</td>
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<td>10</td>
<td>National Bank of Canada(Oc98)</td>
<td>70,663,000</td>
<td>Banque Nationale du Canada/Bank of Cda.</td>
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<td>11</td>
<td>Movement Caisses Dejardins</td>
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<tr>
<td>12</td>
<td>TD Securities</td>
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<td>Toronto-Dominion Bank</td>
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<td>Ontario Teachers Pension Fund</td>
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<td>Ontario Teachers Pension Plan Board</td>
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<td>B.A.T. Industries PLC</td>
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<tr>
<td>15</td>
<td>Power Financial(De98)</td>
<td>58,033,000</td>
<td>B.A.T. Industries PLC</td>
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<tr>
<td>16</td>
<td>Hydro-Quebec</td>
<td>57,295,000</td>
<td>Le Gouvernement du Quebec</td>
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<tr>
<td>17</td>
<td>Quebec Public Employees Pension Fund</td>
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<td>n/aQuebecemployees</td>
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<tr>
<td>18</td>
<td>Imasco Ltd.(De98)</td>
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<td>B.A.T. Industries PLC</td>
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<tr>
<td>19</td>
<td>CT Financial Services(De98)</td>
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<td>B.A.T. Industries PLC</td>
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<tr>
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<td>Canada Trustco Mortgage(De98)</td>
<td>45,176,000</td>
<td>B.A.T. Industries PLC</td>
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<tr>
<td>21</td>
<td>Canada Life Assurance(De98)</td>
<td>27,876,000</td>
<td>Canada Life Assurance Co.</td>
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<tr>
<td>22</td>
<td>ScotiaMcleod Inc.</td>
<td>43,500,000</td>
<td>The Bank of Nova Scotia</td>
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<tr>
<td>23</td>
<td>Ontario Hydro</td>
<td>40,023,000</td>
<td>The Government of Ontario</td>
<td>23</td>
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<tr>
<td>24</td>
<td>RBC Dominion Securities(Oc98)</td>
<td>38,572,742</td>
<td>Royal Bank of Canada</td>
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<tr>
<td>25</td>
<td>Nesbitt Burns(Sc98)</td>
<td>34,982,000</td>
<td>Bank of Montreal</td>
<td>25</td>
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<tr>
<td>26</td>
<td>Seagram Company(Ju98)</td>
<td>32,893,675</td>
<td>Charles Rsmer Bronfman Group</td>
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<tr>
<td>27</td>
<td>OMERs Pension Fund</td>
<td>32,500,000</td>
<td>Ont. Municipal Employees Retirement Bd.</td>
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</tr>
<tr>
<td>28</td>
<td>BCE Inc.(De98)</td>
<td>32,072,000</td>
<td>BCE Inc.</td>
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<tr>
<td>29</td>
<td>Nortel Networks(De98)</td>
<td>29,264,529</td>
<td>BCE Inc.</td>
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<tr>
<td>30</td>
<td>Movement Dejardins Pension Fund</td>
<td>29,180,000</td>
<td>Desjardins employees</td>
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</tr>
<tr>
<td>31</td>
<td>London Life Insurance(De98)</td>
<td>28,821,000</td>
<td>Le Groupe Desmarais</td>
<td>31</td>
</tr>
<tr>
<td>32</td>
<td>Mutual Life Assurance Co. Can.(De98)</td>
<td>27,876,000</td>
<td>Mutual Life Assurance Company of Canada</td>
<td>32</td>
</tr>
<tr>
<td>33</td>
<td>TD Mortgage Corp(Oc97)</td>
<td>26,591,453</td>
<td>Toronto-Dominion Bank</td>
<td>33</td>
</tr>
<tr>
<td>34</td>
<td>TransCanada PipeLines(De98)</td>
<td>25,561,000</td>
<td>TransCanada PipeLines Ltd.</td>
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</tr>
<tr>
<td>35</td>
<td>Hongkong Bank of Canada(De98)</td>
<td>24,836,000</td>
<td>HSBC Holdings PLC</td>
<td>35</td>
</tr>
<tr>
<td>36</td>
<td>Newcourt Credit Group(De98)</td>
<td>23,738,844</td>
<td>Newcourt Credit Group Inc.</td>
<td>36</td>
</tr>
<tr>
<td>37</td>
<td>London Insurance Group(De98)</td>
<td>23,410,000</td>
<td>Le Groupe Desmarais</td>
<td>37</td>
</tr>
<tr>
<td>38</td>
<td>Canada Mortgage and Housing</td>
<td>21,895,000</td>
<td>The Government of Canada</td>
<td>38</td>
</tr>
<tr>
<td>39</td>
<td>Fairfax Financial Holdings(De98)</td>
<td>20,886,694</td>
<td>1109519 Ontario Ltd.</td>
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<tr>
<td>40</td>
<td>Canadian Pacific(De98)</td>
<td>19,669,400</td>
<td>Canadian Pacific</td>
<td>40</td>
</tr>
<tr>
<td>41</td>
<td>Thomson Corporation(De98)</td>
<td>18,460,146</td>
<td>The K. R. Thomson Group</td>
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</tr>
<tr>
<td>42</td>
<td>CIBC Wood Gundy Securities(Oc98)</td>
<td>17,665,035</td>
<td>Canadian Imperial Bank of Commerce</td>
<td>42</td>
</tr>
<tr>
<td>43</td>
<td>Gen. Motors Acceptance Corp of Cda.</td>
<td>15,333,883</td>
<td>General Motors Corp.</td>
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<tr>
<td>44</td>
<td>CIBC Mortgage Inc.(Oc97)</td>
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<td>Canadian Imperial Bank of Commerce</td>
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<tr>
<td>45</td>
<td>Export Development Company</td>
<td>15,262,000</td>
<td>Government of Canada</td>
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<td>46</td>
<td>Hospitals of Ontario Pension Fund</td>
<td>14,742,000</td>
<td>Hospitals of Ontario Pension Plan</td>
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</tr>
<tr>
<td>47</td>
<td>Alcan Aluminium(De98)</td>
<td>14,684,173</td>
<td>Alcan Aluminium Ltd.</td>
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</tr>
<tr>
<td>48</td>
<td>GMAC of Canada(De98)</td>
<td>14,533,883</td>
<td>General Motors Corp.</td>
<td>48</td>
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<td>49</td>
<td>Bell Canada(De98)</td>
<td>14,520,000</td>
<td>BCE Inc.</td>
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</table>

Table A.4: Ranking of corporations and associated enterprises by profits

<table>
<thead>
<tr>
<th>Rank</th>
<th>ROB-FP corporation</th>
<th>1998 profits ($000)</th>
<th>Associated ICO enterprise</th>
<th>Rank</th>
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<tbody>
<tr>
<td>1</td>
<td>The Canadian Wheat Board</td>
<td>4,608,344</td>
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<td>3</td>
<td>Caisse de Depot et Placement</td>
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<td>The Government of Ontario</td>
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<td>The Mutual Group</td>
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<td>Hydro-Quebec</td>
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<td>Stronach Trust</td>
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<td>Great-West Life Assurance(De98)</td>
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<td>Great-West LifeCo(De98)</td>
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<td>TrizecHahn Corp.(De98)</td>
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<td>38</td>
<td>Shell Canada(De98)</td>
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<td>Royal Dutch Petroleum Company</td>
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<td>B.C. Hydro and Power Authority</td>
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<td>Government of BC</td>
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<td>Fairfax Financial Holdings(De98)</td>
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<td>1109519 Ontario Ltd.</td>
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<td>Potash Corp. of Saskatchewan(De98)</td>
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<td>Canadian Pacific Railway Co.(De98)</td>
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<td>B.A.T. Industries PLC</td>
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Table A.5: Ranking of corporations and associated enterprises by wealth of persons

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<tr>
<th>Sample Rank</th>
<th>Person</th>
<th>Wealth rank</th>
<th>1998 wealth</th>
<th>Associated ROB-FP corporation</th>
<th>Associated ICO enterprise</th>
<th>Rank</th>
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<td>1</td>
<td>Kenneth Thomson</td>
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<td>20,950,000</td>
<td>Thomson Corporation</td>
<td>R.R. Thomson Group</td>
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<td>2</td>
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<td>6,670,000</td>
<td>Irving Chi</td>
<td>The Irving Group</td>
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</tr>
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<td>3</td>
<td>Galen Weston</td>
<td>3</td>
<td>5,370,000</td>
<td>George Weston Ltd.</td>
<td>Weston Group</td>
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<td>4</td>
<td>Charles Bronfman</td>
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<td>5,340,000</td>
<td>Seagram</td>
<td>Charles K. Bronfman Group</td>
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<td>5</td>
<td>Jeff Skoll</td>
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<td>4,800,000</td>
<td>eBay Inc.</td>
<td>Na</td>
<td>5</td>
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<td>6</td>
<td>Bombardier family</td>
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<td>Groupe de la Famille Bombardier</td>
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<td>2,260,000</td>
<td>Jim Pattison Group</td>
<td>The Jim Pattison Group</td>
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<td>Loran Corporation</td>
<td>Mannix Family Group</td>
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<td>9</td>
<td>Ted Rogers</td>
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<td>2,060,000</td>
<td>Rogers Cablesystems Ltd</td>
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<td>Newbridge Networks Corp.</td>
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<td>Power Corporation</td>
<td>Le Groupe Desmarais</td>
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<tr>
<td>13</td>
<td>Izy Asper</td>
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<td>1,570,000</td>
<td>CanWest Global Comm. Corp.</td>
<td>The Asper Family Group</td>
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<td>Laidlaw Inc.</td>
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<td>Saputo Family</td>
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