THE POLITICAL ECONOMY OF NATIONALIZATION:

SOCIAL CREDIT AND THE TAKEOVER OF THE BRITISH COLUMBIA ELECTRIC COMPANY

By

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B.A., The University of British Columbia, 1981

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS
in
THE FACULTY OF GRADUATE STUDIES
(Department of Political Science)

We accept this thesis as conforming
to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA

February 1984

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Date Jan. 16, 1984

ABSTRACT

The nationalization of the British Columbia Electric Company by the provincial Social Credit government provides a demonstrative example of a provincial state's relative autonomy being exercised in a dynamic situation. The study examines the state's variable degree of autonomy from the ruling class in society and how it is determined by specific economic, political and social circumstances.

It is argued that Social Credit, with the support of its own class base -- the petit bourgeoisie, nascent regional bourgeoisie, unorganized working class and others -- and the backing of the resource capital fraction of the ruling class, nationalized the economic vehicle of the investment capital fraction, the BCE, in order to further economic development in the province. The nationalization, necessary to ensure the dual development of the Columbia and Peace Rivers and therein the opening up of new areas with untapped natural resources for exploitation by resource capital, is an example of how the relative autonomy of a state can be strengthened by the execution of an economic development strategy which has the support of substantial class forces, particularly fractions of the ruling class.

The political economy of British Columbia prior to the nationalization is examined, including an analysis of the provincial economy, class structure and political history of the province. The role of the B.C. state in economic development is outlined and the events surrounding the nationalization detailed.

The study discusses the ongoing development of a neo-Marxist theory of the state and uses the concept of the relative autonomy of the state to create a framework for analysing the actions of the provincial state in nationalizing B.C. Electric. In looking at the B.C. Supreme Court case which arose from the nationalization it also examines the important role the judiciary plays in the state.

The study concludes that the mobilization of significant class forces behind a viable economic development strategy is one way in which the relative autonomy of the state can be considerably strengthened. In the particular case of a provincial state in a federal system this increased relative autonomy can give the provincial state great flexibility in reducing the restrictions imposed by the system and the federal state.

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ACKNOWLEDGEMENTS

The development of a thesis is dependent upon the support and encouragement of many individuals and institutions. Here I have the pleasure to briefly acknowledge those who have enabled me to complete my task.

Professor Philip Resnick has provided me with the right mixture of criticism, advice and enthusiasm throughout, including long distance direction from abroad while he was on sabbatical. I am grateful for his support not only of my academic work but also my various political endeavors.

The Department of Political Science gave me financial support through appointments as a teaching assistant and demonstrated patience as I grappled with adversity until the thesis was completed. The Boag Foundation honoured me with a substantial award that I am also grateful to acknowledge.

My parents, Patricia and Harry Tieleman, have given me financial support without which this thesis could not have been written. Even more importantly their moral support and encouragement has been tremendous and I thank them once again. Finally my appreciation goes out to the many friends and colleagues who have aided and abetted me in a venture I occasionally thought might not be pulled off. I take responsibility for all shortcomings and errors and hope in the end to at least be able to measure up to Dr. Johnson's old adage: "It is a foolish thing well done."

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Vancouver, British Columbia
November, 1983

CHAPTER I

INTRODUCTION

> The economists explain to us the process of production under given conditions; what they do not explain to us, however, is how these conditions themselves are produced, i.e., the historical movement that brings them into being.[1]
>
> — Karl Marx

> Bennett's Social Credit government, by expropriating several core sectors of the economy, thus provided an infrastructure for the further expansion of private enterprise's exploitation of natural resources. What appeared to be a policy which was totally inconsistent with the espoused free enterprise principles and philosophy of the provincial government, was in fact, the pre-condition to resource exploitation by other multinational companies which Bennett was inviting into the province at that time.[2]

The nationalization in 1961 of British Columbia's largest private sector corporation, the British Columbia Electric Company Limited, by the "number one private enterprise government anywhere,"[3] as its premier, W.A.C. Bennett, described it, affords an excellent opportunity to study provincial state intervention aimed at furthering economic development in a resource exploitation economy.

As John Bradbury aptly notes, the apparent contradictions between the Social Credit government's free enterprise philosophy and its move to expropriate the powerful BCE disappear when the action is put into the larger framework of B.C.'s economic development strategy. Rather than embarking on a socialistic venture that would "undoubtedly affect the confidence of investors to any natural resource industry in British Columbia and have serious consequences upon the future development of the province,"[4] as Barron's business weekly viewed it, Bennett was ensuring that the infrastructural development needed by national and multinational capital for profitable exploitation of resources in the province's hinterland would take place.

This thesis will concentrate on what was arguably the single most significant state intervention by the Social Credit in its 20-year reign. In examining the nationalization of electricity, it must of necessity also look at the economy, the class structure and the politics of British Columbia. All these areas require more attention, if an adequate understanding of B.C's political economy is to be achieved.

The Coalition Government Years

> We needed highways . . . We lacked bridges and tunnels. We lacked proper ferries at the coast. We lacked power and hydro-electric stations, which could create jobs and industry. We were in a terrible mess.[5]
>
> -- W.A.C. Bennett on B.C. in the 1940s

The basic structure of British Columbia's economy has, economists have observed, remained the same throughout the 20th century: its foundation is the extraction and export of natural resources.[6] Political scientists have seen the effect such a narrowly-based economy has had on provincial politics, aptly describing them as the "politics of exploitation."[7]

What has changed over the years, however, is the role the provincial state plays in encouraging and aiding private sector exploitation of natural resources. In the early years of the 20th century the state's role was confined to massive giveaways of crown land to corporations such as the Canadian Pacific Railway and to ensuring the relative docility of the labour force through restrictive trade union legislation and the ready use of force to crush any worker revolts.

As western capitalism reorganized itself following the Depression and through the Second World War it became clear that the state's previously limited role in guaranteeing the profitability of the private enterprise system would have to be expanded. On the one hand capitalists realized that social welfare measures were necessary in order to protect the overall viability of the economic system.[8] On the other they saw that a more powerful capitalist state was needed, to better mediate conflicts between the various fractions of capital so the system as a whole benefited, and to use its financial resources to socialize the costs of technical infrastructure needed for a modern capitalist economy.

In British Columbia the reorganization of capitalism was matched by a reorganization of the state. In the post-war years both government revenues and expenditures escalated rapidly. In the 1939-40 fiscal year government revenues totalled $32,826,438 and expenditures $35,210,407[9] By 1951-52, the last year of the coalition government, revenues had increased to $143,771,540 and expenditures to $172,478,291 and by 1960-61 revenues and expenditures each totalled $323,053,308.[10]

Actual expenditures show clearly where the government was allocating its financial resources. In 1939-40 a total of $2,596,717 was spent on highways, roads, railways and bridges.[11] In 1951-52 $10,933,961 was spent in the same area and by 1960-61 the total was $72,994,326.[12] The B.C. state was quickly building the transportation and communication infrastrcture needed for resource exploitation.

Despite some observers' beliefs that the Social Credit government was radically different from the previous Liberal-Conservative coalition regime, an examination of their respective economic development policies shows a basic agreement on approach. The 1945 session of the legislature saw the passage of an unprecedented $45 million development program, with $30 million for public works, including construction of the Peace River Highway, the Hope-Princeton Highway and other highway projects.[13] In 1949 a $90 million development program was announced, with most of the money going to highway and railway construction. Premier Bjorn (Boss) Johnson said the program would contribute to "the greatest development this province has ever seen."[14]

Provincial state support of the giant corporations investing in resource extraction in B.C. was not limited simply to infrastructural development. In 1947 the government implemented most of the recommendations of the Sloan Forestry

Commission, establishing a system of forest management licenses to place the industry on a sustained yield plan. The new system was welcomed by the largest forestry firms and inspired corporate mergers and takeovers in an industry already then dominated by a handful of businesses.[15] In 1950 B.C. had 17 large forestry companies, with Powell River Company the biggest, with assets of $65 million. By 1964 the 17 had become eight, five of them foreign-owned and most with assets of more than $100 million.[16]

The mining industry could also count on favourable government legislation and regulations to promote resource exploitation. B.C. and Yukon Chamber of Mines manager Frank Woodside could report with satisfaction in 1951 that:

> Visitors from the east tell us that B.C. is the most favourable base metal area in Canada and they expect a greater influx of Toronto capital into our mining industry next year. Our mining laws are considered favourable and offering every encouragement to the prospector and new mine operator.[17]

Business in general approved of the coalition government's attempt in 1947 to tighten up labour laws in order to make union job action extremely difficult. The Industrial Conciliation and Arbitration Act, Bill 39, caused enough union and public protest that it was amended in 1948, though not sufficiently to meet with labour movement approval.[18] The Vancouver Board of Trade, however, found that the restrictive Bill 39 "was not the final answer to an amelioration of labour union difficulties," in the words of Board vice-president Howard Mitchell, although it was a step forward.[19]

The close relationship which developed between the Coalition government and the resource extraction industries was such that when the provincial minister of mines introduced new mining law amendments in the legislature a resolution was suggested at the Chamber of Mines executive committee meeting which read that the Chamber was "strongly opposed to the government changing the mining laws without the approval of the mining industry." The committee decided instead that it would be better to simply invite the minister to the next executive meeting and explain things.[20]

Despite the occasional minor tiff between industry and government, the marriage of interests was a strong one. Always in the distance remained the spectre of a Co-operative Commonwealth Federation electoral victory and the consequent fear of trying to do business with a socialist government in power. The day after the June 15, 1949 provincial election, which saw the Coalition returned with a greater majority, the Vancouver Board of Trade's council noted that the vote "gratifyingly returned to office the Coalition Government with an increased majority at the expense of the Socialist propagandists."[21]

As the shaky coalition came apart in early 1952 it was clear that state policies for post war economic development had been set, and carefully noted by the former Conservative MLA from South Okanagan then sitting as an independent in the legislature, W.A.C. Bennett.

The Social Credit Takeover

> The Liberals and Conservatives are class governments, looking after big business and the powerful, who give them their campaign funds.[22]
>
> — W.A.C. Bennett

> ... (the) thick-headed tycoons out in British Columbia ... pushed us into a coalition that we didn't want, and ruined us as a party in B.C., because they said that was the only way to stop the CCF. Then they finance this Social Credit movement because it, now, is 'the only way to stop the CCF.'[23]
>
> — Anonymous
> Tory MP, 1953

> Social Credit has had no trouble becoming the successor of the old-line parties and in inheriting their comprehensive, opportunistic programs.[24]

The surprising election of a minority Social Credit government in 1952 and its subsequent consolidation of power for a 20-year reign has long been a subject of controversy among political scientists. The B.C. Social Credit party has been variously described as anti-institutional, radical and nihilistic,[25] as totalitarian, anti-Semitic and fascistic,[26] as socialistic and dictatorial,[27] as funny money monetarist,[28] and as anti-establishment and anti-elitist.[29] Bennett himself claimed that, as Social Credit premier, "you don't act for yourself, for big business or for the big labour unions. You are beyond all that, because you act for the ordinary people."[30] Consequently, the definitive explanation of the Social Credit ideology in B.C. has been elusive.

What is not so elusive is where the party found its economic and political support. As Thomas Sanford has stated, the Social Credit party quickly took up from where the Coalition government had left off, becoming the single dominant free enterprise party in the province, and thus the only viable alternative to the CCF/NDP. Led by the failed two-time contender for the provincial Conservative party leadership, the Social Credit party soon became the new coalition party as Liberal and Tory party members flocked to join up and B.C. business poured campaign funds into the "protest" party's coffers.

Despite the apparent ease with which the Socreds took up the Coalition parties' role however, it would be incorrect to assume the new party's ideology and class support were identical to that of the Coalition. To be sure, the Socreds were convinced of the need to follow, and amplify upon, the economic development strategies of the past regime, to maintain a favourable investment climate for outside capital and to pursue policies in line with the best interests of business. But the Social Credit party also represented developing and heretofore neglected social forces in the province: small and medium sized businesses in the hinterlands, growing as they serviced multinational, national and regional capital in the resource industry, ranchers and farmers, the unorganized working class, the religious fundamentalists and the new entrepreneurs. What united them, and allowed them to identify with Bennett, according to Martin Robin, was their sense of being outsiders.[31] They were against the establishment, not because they were anti-elitist but because they were left out.

What elevated Social Credit from being a distant third free enterprise party to forming a minority government in the 1952 election was the alternative voting system used that year. The alternative ballot meant voters ranked their political choices in order of preference instead of choosing a single candidate. The entry into the race of Social Credit, combined with widespread dissatisfaction with both coalition parties, ensured the defeat of the old-line parties and a close race between the CCF and the Socreds. The final tally left the CCF with a higher percentage of the popular vote but one less seat than the Social Credit, while the Liberals and Conservatives were reduced to a handful of seats.

Once ensconced in office with the wily Bennett at the helm, the Socreds worked hard to put forth a responsible image, knowing that another election could not be far off for their minority government. In the June, 1953 election, Social Credit was, in fact, returned with 28 of the 48 seats and 45 percent of the popular vote. The new free enterprise party that would rule with solid majorities until its defeat in 1972 had firmly entrenched itself in B.C. politics.

Significant in the 1953 Socred victory was the party's expansion of its electoral base into B.C.'s urban areas. Victoria, where the party had been shut out in 1952, voted in four Social Credit MLAs in 1953 and in Vancouver seven MLAs were elected to the government benches, compared to three in 1952.[32] In addition to the transfer of voters from the Coalition to the Socreds, party memberships were also quickly shifting. The Social Credit convention in November, 1952 was attended by "many members of the old-line parties duly elected as delegates since the Socred election victory in June," the Province reported.[33]

The Socreds' new-found acceptance by free enterprise voters and former old-line party members was matched by B.C. corporations' willingness to transfer anti-CCF campaign funds from the Liberals and Conservatives to the new government party. Liberal and Conservative fundraisers found their sources of funds had dried up following the 1952 election, while Social Credit was the recipient of new corporate dollars.[34] Major support came from industries facing possible nationalization in the event of a CCF win and from businesses dependent upon favourable governmental regulations and favours for their continued profitability. MacMillan, Bloedel and Powell River Ltd., Westcoast Transmission and, ironically, British Columbia Electric Co., are cited by Sanford as Social Credit's three main corporate contributors.[35]

Further corporate support for Social Credit, in a more indirect but effective manner, can be seen in the 1953 election campaign organized by the Vancouver Board of Trade and the B.C. Chamber of Commerce. The Board's "Get Out The Vote" program saw 320,000 cards sent to householders advising them to "Vote Free Enterprise 1-2-3" (for the three free enterprise parties) on the alternative ballot, 20,000 pamphlets distributed arguing that the unusual alternative ballot was the best voting system for B.C. and 2,000 sets of speakers' notes on the election sent out. The Board and the Victoria Chamber of Commerce sponsored ads on buses and trolleys (owned and operated by BCE) with a free enterprise theme and the B.C. Chamber of Commerce printed posters and window cards with the "Vote Free Enterprise 1-2-3" message.[36] The business groups' campaign indicates that B.C. business was willing to encourage voter support for Social Credit and clearly saw that it was a "free enterprise" party that could be counted on to act in the best interests of capital in B.C.

Once Social Credit gained the support of business in B.C. it maintained it for the 20 years W.A.C. Bennett remained in power. The Liberal party continued to garner a percentage of votes large enough to ensure the presence of a handful of MLAs throughout the period and no doubt received some corporate funding.

The Conservatives fared much worse, obtaining a small percentage of the vote with the less than full slates of candidates put up and it remained shut out of the legislature from 1956 to 1972.

Social Credit's continuous support from the business community was based in part on its acceptable performance as government and in no small measure on its monopoly position as the only feasible electoral alternative to the CCF/NDP. Social Credit, upon its ascension to office in 1952, inherited the role previously fulfilled by the Coalition government parties, namely to unify the free enterprise vote in order to deny a socialist/social democratic victory at the polls. Had the strength of the CCF not been so threatening both the coalition arrangement and business support for Social Credit might have been unnecessary, but with its consistent ability to obtain roughly one-third of the vote after 1952 the CCF/NDP ensured that business would give only one capitalist party -- Social Credit -- major backing.

B.C. Business

> Bennett assumed the premiership in the midst of a fierce injection of foreign capital, full employment, rising wages and unprecedented government revenues. On the very day of Social Credit's accession to power, bank clearings in Vancouver city reached a record high.[37]

The years following the conclusion of the Second World War saw B.C.'s economy expand rapidly as the world-wide demand for natural resources created buoyant export markets for the province's products. The forest and mining industries led the way as national and international capital flowed into the province, seeking a share of the profits of resource exploitation. At the same time the B.C. enterprises which serviced the resource sector began to enjoy booming business and workers found new jobs and higher wages as the labour market responded to shortages of available labour. By the time Social Credit moved into power in 1952, outgoing

Premier Boss Johnson could note that "1951 has been the top year in our economic history; payrolls, retail sales, production values, and nearly all of the other indices of economic activity have reached new highs."[38]

The 1950s marked the maturation of B.C.'s resource-based economy, the development of a new level of state involvement in support of private sector resource exploitation and the emergence of the province as a new centre for the investment of national and foreign capital. Throughout the decade capital flowed into B.C., developing the resource sector but leaving the manufacturing sector stagnant as raw resources were exported for the use of secondary industries in the United States, Japan and Europe. This pattern of economic development, a common thread throughout B.C. economic history in the 20th century, had risen to new levels through the decade and into the 1960s.

The growth of the resource industries in B.C. following the war years is a classic example of the potential for an economic boom in a resource-based economy. In the forest industry the net value of forestry production grew from $64,970,000 in 1921 to $88,221,000 in 1939 and to $147,135,000 as the war ended in 1945. Only two years later the net value had more than doubled to $312,526,000 and by 1955 it had doubled again, to $643,247,000.[39] By 1964 it had rose by half as much again, to $936,000,000.[40]

Forest industry expansion can also be seen in production figures for major forest products. Timber scaled went from 847,279 (M Cu. Ft.) in 1952 to 1,342,936 in 1962, lumber production from 3,696,459 (M F.B.M.) to 6,003,604, plywood production from 512,926 (M Sq. Ft. $\frac{1}{4}$-in. basis) to 1,688,604, pulp from 915 (M tons) to 2,411, and paper from 540 (M tons) to 1,201.[41]

Employment in the forest industry also shows its rapid growth. In 1955 the industry employed 56,356 persons and by 1964 there were 76,000 employees.[42] Wages were also indicative of the B.C. forest industry's prosperity, and, to be sure, of B.C. labour's militant unionism. In April of 1961 the average weekly wage for a forestry employee (chiefly logging) was $111.72 in B.C., while a forestry worker in Ontario received $75.35 and a New Brunswick logger $65.49.[43] A B.C. pulp and paper mill worker was paid $109.17 at the same time, while an Ontario employee received $101.86 and a worker in New Brunswick $100.76.[44]

The mining industry also saw a rapid, if not quite so phenomenal, expansion after the war years. The value of mining production in B.C. went from $28,135,325 in 1921 to $65,711,189 in 1939. It then more than doubled to $145,184,124 in 1948 and, after a period of erratic growth, had climbed to $267,496,854 in 1964.[45]

B.C.'s economic growth can also be seen in the rapid provincial population increases during and following the war years. The 1941 census recorded a population of 817,861, the 1951 census 1,165,210 and the 1961 census 1,629,082.[46] Personal income per person also rose quickly, from $333 in 1939 to $1,876 in 1962.[47]

The Nature of Capital in B.C.

Clearly it is beyond the scope of this thesis to provide a detailed examination of the nature of capital in British Columbia. Unfortunately to date there has been little research into this crucial area of B.C. political economy. Nonetheless it is necessary to show the importance of eastern Canadian and foreign capital, particularly American, in the B.C. economy.

The extent of foreign ownership of B.C.'s most important industry, forestry, is easily documented. Although Canadian-owned MacMillan Bloedel and Powell River Limited was the biggest firm through the 1960s as a result of several mergers and takeovers, the next four largest forestry companies were all American-owned as of 1964, while a fifth major company was Danish-owned.[48] Three of the four U.S. companies made their way to the top by swallowing up smaller Canadian enterprises. Alaska Pine and Cellulose, Western Forest Industries and B.C. Pulp and Paper, all Canadian-owned in 1950, were purchased by Rayonier Canada, a subsidiary of U.S.-owned Rayonier Inc., in 1954. Canadian-owned Canadian Western Lumber and Canadian Western Timber ended up in the hands of Crown Zellerbach Canada Ltd., a subsidiary of the American Crown Zellerbach Corporation, by 1954. B.C. Forest Products and Westminister Paper, both Canadian in 1950, were by 1957 in the hands of U.S.-owned Scott Paper.[49] Thus by the end of the 1950s five of the eight major forestry firms in the province were foreign-controlled.

The Canadian forestry companies also showed some level of minority foreign investment, if the composition of their boards of directors can be taken as an admittedly rough indicator. In 1958, before the merger with U.S.-owned Powell River Company, MacMillan Bloedel had 19 directors from Vancouver and five from Washington state. Canadian Collieries Resources, another of the big forestry firms, had seven Canadian directors, one American and one English director.[50]

The mining industry was also heavily owned by American interests in the Bennett years. As of 1964 there was direct U.S. ownership of: Granby Mining Co., Granduc, Reeves Macdonald, Crow's Nest Pass Coal Co. and Anaconda. In alliance with Canadian capital there was U.S. investment in: Highland-Bell Ltd., Sheep Creek Mines Ltd., Bralorne-Pioneer, Craigmont, Cassiar Asbestos and Placer Development. English and American capital combined in Consolidated Mining and Smelting. There was also major Japanese investment in Bethlehem Copper and Japanese firms had purchase agreements for the products of other mines. B.C. capital was restricted to relatively small mining firms.[51]

An examination of the directorships of B.C.'s other major corporations shows that B.C. capital, other than in a few exceptional cases, was restricted in scope and influence in the post-war period. In addition to MacMillan Bloedel and B.C. Packers, which were controlled by H.R. MacMillan and other prominent B.C. capitalists, of those firms where information is available only Canadian Forest

Products, Burrard Dry Dock, Sun Publishing Co. Ltd., Woodward's Stores Ltd. and B.C. Sugar Refining Co. appear controlled by B.C. capital.[52]

Several major B.C. firms had boards of directors composed predominantly of U.S. and eastern Canadian capitalists. The Aluminum Company of Canada Ltd., which constructed the large Kitimat primary aluminum plant and a fabricating plant in Vancouver, was the principal subsidiary of Aluminium Ltd.*, based in Montreal. In 1958 Aluminium Ltd. had six U.S. directors, six directors from Montreal and two from foreign countries other than the U.S. (Aluminum Co. itself had four American and six Montreal directors). In a similar position was B.C. Telephone Co., a subsidiary of Anglo-Canadian Telephone Co., a holding company controlled by the giant U.S.-owned General Telephone and Electronics. Anglo-Canadian had two Vancouver directors, two from Montreal, one from Ottawa and three from the U.S. in 1958.

Other important firms operating in B.C. but owned by foreign capital included the U.S.-controlled West Coast Transmission and Trans-Mountain Pipeline companies and the English-controlled food corporations Kelly-Douglas and Westfair Foods. Laurentide Finance, another large firm, was a joint English and Canadian venture.[53]

The only other major firm with substantial B.C. capital involvement was the British Columbia Electric Co. Ltd., a subsidiary of B.C. Power Corporation Ltd. In 1958 it had eight directors from Vancouver, one from Victoria, four from Montreal, one from Toronto and one from England. (A more detailed examination of BCE and B.C. Power follows in Chapter Two.) Other large businesses operating in B.C. were CP Airlines, a wholly-owned subsidiary of the Canadian Pacific Railway, and Dominion Bridge Co., based in Montreal.

*Aluminium Ltd. was created shortly after the Second World War when the U.S. giant Alcoa was forced to sell most of its Aluminium Ltd. holdings because of an antitrust suit. As of 1979 the majority of shares were U.S. owned, with substantial investment by European capital and minority Canadian participation.

Among second level B.C. businesses (those with 500 to 999 employees), of those where information was available a clear majority were U.S.-controlled. These firms included: British American Oil, Canadian Canners, Imperial Oil, Shell Oil, Standard Oil, Columbia Cellulose, Comox Logging and Railway, Westminster Paper, Elk Falls Co., Canadian Telephones and Supplies, Western Forest Industries and Alice Lake Logging. (Some of these firms were at that time subsidiaries of U.S.-controlled companies, such as Crown Zellerbach Canada.)

B.C. capital controlled a small number of similar sized firms, including: Canadian Collieries Resources, Nelsons Laundries, Johnston Terminals, Western Plywood Co., and Victoria Machinery Depot, as well as a number of construction firms.

Other companies included B.C. Distillers Co., a subsidiary of Distillers Corporation-Seagrams Ltd., controlled by the Bronfman family of Montreal, and Saguenay-Kitimat Co., an Aluminum Co. of Canada subsidiary.

Until the establishment of the Bank of British Columbia in 1966 no chartered bank was based in the province. However the Canadian Imperial Bank of Commerce was easily the most influential bank in B.C., as demonstrated by its board of directors. As of 1964 eight major B.C. capitalists sat on the Commerce board, including representatives of MacMillan Bloedel, B.C. Packers, Crown Zellerbach, and other smaller firms, and former Social Credit finance minister Einar Gunderson. The Bank of Montreal, the Toronto Dominion Bank and the Bank of Nova Scotia each had three prominent B.C. business or establishment figures on their boards, while the Royal Bank made do with two top corporate British Columbians.[54]

Conspicuous by their absence among top corporations are the manufacturing industries. Although B.C. government reports generally claim that manufacturing was an important and growing sector, their definition of manufacturing is really no more than the production of semi-processed raw materials. In 1962 the top

10 "manufacturing" industries were: sawmills, pulp and paper, petroleum refineries, veneer and plywood, fish products, sash, door and planing mills, dairy factories, slaughtering and meat-packing, industrial chemicals and miscellaneous food.[55] Clearly it can be seen from this list that B.C. had not developed any substantial secondary manufacturing industry and was dependent upon the export of raw and semi-processed materials.

That dependence can be observed in export figures for the province. In 1939 exports from B.C. amounted to $140,527,000, increased to $675,308,000 by 1953 and reached $1,398,720,000 by 1963.[56] Forest products made up the bulk of B.C. exports, with $505,343,011 worth of wood and wood products going to foreign countries in 1955 out of total production of $631,699,562. By 1963 forestry exports totalled $679,400,000 out of total production of $850,000,000.[57]

Throughout the period the U.S. was the destination for between 71 and 75 per cent of wood exports, while the United Kingdom received between 11 and 15 per cent.[58] Figures for mineral exports are not available but government reports state that "a large part of the mineral production is exported to other countries."[59]

From the foregoing brief outline of the nature and origin of capital operating in British Columbia some conclusions can be drawn. Perhaps most obvious is the hinterland status occupied by B.C. in the national and international economy. The province's heavy dependence on exports of raw and semi-processed materials to predominantly foreign markets, its stunted manufacturing capacity and the extent of foreign ownership of its major industries are all indicative of an economy dominated by outside capital. In examining B.C's major corporations this has, in fact, been shown.

To be sure, there are some notable exceptions to the rule, such as the H.R. MacMillan empire of MacMillan, Bloedel and Powell River Co., and B.C. Packers, the Rogers family's B.C. Sugar, the Woodward family's retail store chain and British

Columbia Electric. However, excluding the MacMillan forestry giant (which had substantial CPR investment by the 1960s), U.S. and, to a lesser extent, eastern Canadian capital was in charge of B.C.'s most important industries. This dependence on outside capital to maintain the stability and ensure the growth of the British Columbia economy coloured all aspects of provincial politics and economic development strategies throughout the Bennett reign.

Class Structure

> B.C. has never been a frontier of predominantly small, individual enterprises as on the prairies. It has been much more a "company province" dotted by company-owned or company-based towns and organized by large enterprises.[60]

> The major struggle in the fractured coastal community, aside from regional disputes of varying intensity, has been the class struggle between worker and capitalist.[61]

B.C.'s class structure is a consequence of the type of capitalist economic development which took place in order to exploit the province's natural resources. Given the need for major capital investment and large numbers of labourers to extract resources from the land, B.C. developed a highly polarized society, one divided early on between the traditional Marxist classes of proletariat and bourgeoisie. This clear division, added to the lack of other mediating classes, particularly in the isolated company towns that spanned the province, led to the development of militant trade unionism, Canada's first and strongest socialist parties and a political system more polarized than any other in the country.

The degree of class consciousness and the unity and strength of the B.C. working class also led to greater cohesion and coordination amongst the various fractions of the bourgeoisie. Adherents of hard-line Marxist socialism were first elected to the B.C. legislature in 1903 and made quick use of their balance of power position in the 1904 session to successfully push for amendments to various labour regulations.[62] Although often disrupted by internal disputes and constantly under attack from the press and establishment forces, by the 1933 provincial election socialists, united for the first time under the Cooperative Commonwealth Federation banner, captured 32 per cent of the vote[63] and convinced B.C. capitalists that a provincial socialist government was well within the realm of possibility. From that point on the CCF, whose manifesto aimed to "replace the present capitalist system, with its inherent injustice and inhumanity, by a social order from which the domination and exploitation of one class by another will be eliminated," and which vowed that no CCF government would rest content until capitalism had been eradicated,[64] enjoyed a popular vote in B.C. of usually more than 30 per cent, a total held and improved upon by its successor, the NDP.

The consequence of such a strong and constant threat to B.C.'s capitalist system was the development of a degree of bourgeois unity not found elsewhere in Canada. The growing electoral power of the CCF led B.C.'s two capitalist parties to enter into a coalition in 1941 that continued until 1952, followed by the creation of a new coalition through the vehicle of Social Credit.

A second basic factor in the early homogeneity of the capitalist class in B.C. was the similarity of, and interdependence within, the enterprises the class was engaged in. Capitalism in the province meant the extraction and export of raw materials and provision of the incumbent services such activity required. Unlike Ontario and Quebec, B.C. lacked any nascent industrial bourgeoisie that might enter into conflict with the resource sector capitalists over economic development, and depended upon eastern Canadian and foreign financiers to handle commercial transactions and raise venture capital.

To be sure, within the capitalist class operating in B.C. there were large differences. Although some of the resource industries were owned by local capitalists, such as the Dunsmuirs, H.R. MacMillan, W.J. Van Dusen and others, eastern Canadian and foreign ownership predominated. Generally the large scale nature of resource extraction forced all but a handful of B.C. capitalists to eventually merge their operations with those of industrial giants or sell out. A few other members of the provincial bourgeoisie managed to carve out their own areas of domination, such as the Rogers family's sugar business, the Woodward family's department store chain or the Wallace family's shipyard operations.

Along with the indigenous capitalists were those who managed the provincial operations of firms based in eastern Canada, the U.S., Japan and Europe: a comprador bourgeoisie. Within this fraction of the bourgeoisie existed those who were simply employed in senior management positions and also those who in addition to working for outside capital had their own importance as members of the indigenous bourgeoisie.[65] Included then in this category were men such as Einar Gunderson, a former Social Credit finance minister who sat on the Canadian Imperial Bank of Commerce board and others, Frank McMahon, head of the U.S.-controlled West Coast Transmission pipeline company, and J.V. Clyne, chairman in the mid-1950s and 1960s of MacMillan Bloedel and a director of many other corporations.

Finally, growing through the 1950s and 1960s, was a regionally-based small bourgeoisie, servicing the needs of the giant resource firms in the B.C. hinterlands and in some cases launching small resource ventures beneath the notice of these firms. An example of this group was Ben Ginter, who built a construction empire in the B.C. Interior by starting out with government highway contracts awarded by Social Credit.[66] These capitalists' interests were dependent entirely upon the actions and profitability of the resource sector corporations and, directly and indirectly, upon the provincial government.

There were, then, few causes for conflict among the fractions of the B.C. bourgeoisie, and strong reasons for class unity in the face of challenges from militant unionists and a powerful socialist/social democratic party. Such unity could be seen in the composition of, and positions taken by, B.C. business organizations. These organizations' memberships and officers demonstrated the cooperation of a broad cross section of B.C. business people, from the largest corporations to one person operations. Among the officers and directors of the B.C. Chamber of Commerce in 1961-62 were men such as Ralph Baker, president of B.C. Electric, W. Wallace Baikie, president of Baikie Logging Co. of Campbell River and E.D. Forward, manager of Kitimat Builders Supplies Ltd.[67] At a typical meeting in 1954 the Chamber passed resolutions calling for increased highways spending, a B.C. connection with the Alaska Highway, support for an air route from Vancouver to Europe, opposition to a provincial tax on machinery, support for construction of a natural gas pipeline from the Peace River to the coast and opposition to an increased B.C. royalties tax on mining and logging operations.[68] Similar unity of purpose and lack of major conflict, save on a few issues, can be seen in the minutes of Vancouver Board of Trade meetings and those of the B.C. and Yukon Chamber of Mines.

The B.C. State

> On the provincial level the pattern of public expenditures in the public sector has re-enforced the "metropolis-hinterland" relationship between the U.S. and Canada. The tremendous sums spent developing the transportation grid -- railroads, highways, pipelines -- have permitted a systematic, rationalized exploitation of the natural resource sector of the Canadian economy.[69]

> ... one of the main reasons for stressing the importance of the notion of the relative autonomy of the state is that there is a basic distinction to be made between class power and state power, and that the analysis of the meaning and implications of that notion of relative autonomy must indeed focus on the forces which cause it to be greater or less, the circumstances in which it is exercised, and so on.[70]

In a province such as British Columbia, where the economy is overwhelmingly dependent upon the extraction and export of raw and semi-processed materials to foreign markets, the role of the capitalist state is clear: to facilitate by whatever means necessary the exploitation of resources for private profit. But the simplicity of such a concise statement of purposes belies the complexity of relations between the state and the various fractions of capital which make up the bourgeoisie, between those fractions themselves, and between the state and other classes.

As has been indicated previously, and will be amplified in forthcoming chapters, the B.C. state, regardless of the political composition of its legislature, has had no difficulty in defining its duty towards private capital. In the late 19th and early 20th centuries the provincial state aided private enterprise through the development of transportation and communication links, the passing of legislation favourable to resource exploitation, including the provision of logging and mining rights on crown lands, and the regulation and repression of the labour necessary to extract resources. As western capitalism reorganized itself in the post WW II years so too did the state, rapidly increasing its expenditures on the technical infrastructure needed by giant multinational, national and regional firms to continue profitable resource exploitation.

In B.C. the post-war period was marked, as noted before, by the expansion of transportation and communication systems, the education system, the public sector and other state-provided services beneficial to the private sector. At the same time provincial legislation was designed to promote stability and create a favourable climate for capital investment. While it did not fit into Marx's traditional description of the executive of the state as "but a committee for managing the common affairs of the whole bourgeoisie,"[71] the Social Credit government easily convinced the overwhelming majority of that class that it was appropriately suited for power. The consensus between the state and business on economic policy was such that, after a three hour discussion between the provincial cabinet and directors of the Chamber of Commerce in 1959, Chamber president R.W.J. Angus could happily report that: "... I feel we have now reached a stage in our relationship with the

Government that is difficult to improve upon."[72]

Despite the relative unity of the B.C. bourgeoisie, as discussed earlier, and its approval of Social Credit, it would be a serious mistake to conclude there existed a complete harmony of interests both within the class and in its relationship with the government. At times business criticism of Social Credit was shrill and uncompromising, such as when the province introduced new mining taxes and regulations in the 1950s,[73] and at times the government decided to favour one fraction at the expense of another, as shown by its support for corporate concentration in the forest industry, to the detriment of smaller logging firms.[74]

The Social Credit government realized that so long as it acted in the overall best interests of capital in B.C. it could exercise a significant degree of relative autonomy in running the province. Working in its favour were several factors: the lack of an electable alternative free enterprise party; the absolute certainty that any attempt by business to form such an alternative party or throw support to one of the old-line parties would result in the election of a socialist/social democratic government; the presence of different fractions of capital in the dominant provincial industries, which offered the opportunity to balance off the interests of one against another if necessary through the exercise of state powers; and, initially, the lack of political debts owed to any established forces by the party, combined with the decidedly protest character of the 1952 election.

It did, however, have to recognize that as a provincial government in a federal system it was a less than sovereign state, with wide ranging powers over resources, for example, but none over finance. Furthermore, it had to operate within a legal-judicial framework beyond its control, as shall be seen in the BCE court case. Thus in addition to seeking greater relative autonomy from the ruling class the B.C. state also moved to gain autonomy from federal power.

Central to the thesis, then, as indicated by the opening quote from Miliband, are the questions of what degree of autonomy the provincial state, under Social Credit, actually had, how it obtained and preserved that autonomy, and for what purposes it was used. These questions are, to be sure, difficult ones. Still, they are central not only to an understanding of the British Columbia political economy but also to the general understanding of the role and functioning of the state in western capitalism.

Paul Sweezy concisely summarized his view on the role of the state in a 1961 article that foreshadowed the debate on relative autonomy which continues today. His conclusions are worth repeating here:

> (a) There are conflicts between the true long-run interests of the ruling class as a whole and the short-run interests of particular segments of it.
>
> (b) Because it wears ideological blinkers which distort its view of reality the ruling class often does not see clearly what its true long-run interests are and hence acts on a false conception of ruling-class interests.
>
> (c) Under certain circumstances, other classes or segments of classes can force the state to make concessions to their interests. There are naturally limits to all these qualifications, and it doubtless remains true that <u>in general</u> the state serves the interests of the ruling class. But in any given situation the range of alternatives is wide and the course to be followed by the state is far from mechanically predetermined.[75]

The thesis which will be put forward here follows loosely the lines of arguments made by Sweezy, Miliband and Deaton regarding the role of the state. Briefly stated, it will be argued that:

1) Social Credit, acting in the best interests of the bourgeoisie as a whole, opted to nationalize a major private corporation for the benefit of dominant fractions of the capitalist class -- the resource industries;

2) Social Credit's relative autonomy gave it the ability to take such actions;

3) Social Credit's relative autonomy also allowed it to obtain benefits for its petty bourgeois and nascent regional bourgeois supporters.

CHAPTER I

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CHAPTER II

THE DECISION TO NATIONALIZE

The British Columbia Power Corporation

> Our aim is to serve our customers well and at the lowest rates consistent with a high standard of service; to deal frankly and fairly with our customers and employees; to conduct our business with courtesy and efficiency; to be good citizens and assist in the development of the communities we serve.[1]
>
> -- B.C. Power Corporation credo

Created in 1928 by English and eastern Canadian capitalists as a holding company to manage the affairs of the British Columbia Electric Railway Company, by August 1, 1961 the British Columbia Power Corporation Limited was the province's largest private sector company and the major supplier of electricity in B.C. Its creation, in a sense, marked one stage of development in the B.C. economy and its nationalization clearly delineated another.

B.C. Power's predecessor, the B.C. Electric Railway Company, was created in 1897 by British capital and soon grew to control transit services and lighting in Vancouver and Victoria. By the late 1920s its British owners were considering transferring incorporation of the firm to Canada in order to save on high British income tax rates, simplify the corporate structure and expand its borrowing powers.[2] Their plans were changed in April of 1928, however, when three financial groups began bidding for control of the company. An initial offer made by the British capitalist Viscount Rothermere was topped days later by Nesbitt, Thomson and Company and the Power Corporation of Canada, then beginning its ascension to the heights of Canadian capitalism. In short order a third and still higher offer was made by Sir Herbert Holt, J.H. Gundy, the Canadian and Foreign Power Corporation and Andrew Holt and Co. Finally all three parties decided competition was non-productive and made a joint offer, which 75 per cent of the shareholders accepted.[3]

When the final deal was made the Montreal capitalists of Power Corporation had gained control of B.C. Electric Railway, making it a newly-Canadianized firm. Half of the shares in B.C. Power were held in Canada, 35 per cent in England and the remaining 15 per cent in the United States.[4] After this flurry of corporate excitement the B.C. Electric Railway maintained an essentially conservative and profitable course for the next 20 years.

In 1946 Albert Edward (Dal) Grauer took over as president and chairman of the B.C. Power board and its subsidiaries, including B.C. Electric, modernizing their operations and increasing the corporations' size and profits until his death just four days before the nationalization. It was also under Grauer and his lieutenants that B.C. Electric became the province's major corporate patron of the arts and culture, making it both an economic and social centre of power.[5]

B.C. Electric's high corporate profile in the province, combined with its effective monopoly position in transit and power distribution and public unhappiness with its service and rates,[6] made the company a generous contributor to private enterprise political parties in B.C.[7] Such a policy was no doubt wise in the face of repeated CCF calls for the nationalization of BCE and the implementation of public power.

By 1961 B.C. Power, with net earnings of $62,537,821 and a net profit of $11,197,249,[8] had significantly increased its Canadian ownership. As indicated in the following table, Canadian interests owned nearly 70 per cent of the firm's common shares at the time of the B.C. Electric expropriation.

Table I

DISTRIBUTION OF B.C. POWER'S COMMON SHARES

Residence	Number of Shareholders	Percentage	Number of Shares	Percentage
B.C.	7,864	38.1	674,596	14.3
Rest of Canada	10,903	52.8	2,631,221	55.6
U.S.	938	4.5	416,293	8.8
U.K.	673	3.3	976,468	20.6
Elsewhere	272	1.3	30,783	0.7
Total	20,650	100.0	4,729,361	100.0

Source: B.C. Power Corporation, speech by A. Bruce Robertson, Chairman, 18 December 1961. Copy in B.C. Power Corporation Board of Directors' Minutes.

The B.C. Power board of directors, which doubled as the B.C. Electric board, served as a meeting place for B.C.'s corporate establishment and important eastern Canadian capitalists. B.C. residents took nine of the 15 seats on the board and included: Grauer, also a director of Sun Life, the Royal Bank, MacMillan Bloedel, Canadian Chemical and Cellulose, and Montreal Trust; Clarence Wallace of Burrard Dry Dock; Robert Ker of Ker and Stephen Ltd. and a director of Montreal Trust; W.G. Murrin, former B.C. Electric Railway president and a director of Canada Trust and Dominion Bridge; John L. Trumbull of J.L. Trumbull Ltd. importers and a director of the Bank of Toronto and Confederation Life; and Harold S. Foley, former chairman of Powell River Co., and a vice-president and director of the Bank of Montreal.

The Power Corporation of Canada, with $7,157,600 invested in B.C. Power shares and another $432,500 in B.C. Electric shares, held three seats for its directors: A.D. Nesbitt, president of Power Corporation and a director of Trans Canada Pipelines, Goodyear Tire and Rubber of Canada, Moffats Ltd., Canadian Oil Companies, Great Britain and Canadian Investment Corp. and Southern Canada Power; James B. Woodyatt, chairman of Power and a director of Bathurst Power and Paper, Bathurst Electric Water Power, East Kootenay Power, Southern Canada Power and Occidental Fire Insurance; and W. Earle McLaughlin, president of the Royal Bank, vice-president of Montreal Trust and a director of Standard Brands, Ralston Purina of Canada, Metropolitan Life Insurance and Algoma Steel.

The other outside directors were Charles L. Gundy, president of Wood, Gundy and Company and a director of Abitibi Power and Paper, Dominion Steel and Coal, Eddy Paper, Simpsons, Simpson-Sears, Western Canada Steamship, Canada Cement and Massey-Harris-Ferguson; Severe Godin, president of Gulf and Lake Navigation, chairman of Claude Neon General Advertising and a director of Fire Insurance Co. of Canada and Ritz-Carleton Hotel Co. of Montreal; and Edwin N. Plowden, chairman of British Aluminium and a director of several British firms.[9]

The composition of the board of directors makes several important points about the nature of B.C. Power. Firstly, it can be seen that the three major investment groups involved in the creation of the corporation still maintained their positions, albeit in different ownership proportions, some 33 years later. Secondly, it is clear that, as was the case with the B.C. Electric Railway, shareholders placed significant responsibility for operating the corporation with local management and local capitalists, who held a majority on the board without commensurate share ownership. Finally the board's membership shows that the corporation was important to eastern Canadian and English investment capital as well as being the centre of power for the British Columbia corporate establishment.

Hydroelectric Power in British Columbia

> It would seem to be sound public policy to keep the cheapest power for British Columbian use and to stimulate economic development here, rather than to export the least expensive power. This point seems to have particular relevance because the cheapest future power seems undoubtedly to be the downstream benefits of the Columbia River, and there might be some pressure from the United States to buy Canada's share at the American generating plants where it is produced, rather than returning it to Canada. To succumb to such pressure would, in my opinion, be a tragedy because most of British Columbia, unlike the states of the Pacific Northwest, has never had the stimulus of really cheap power.[10]
>
> -- B.C. Power chairman
> Dal Grauer, 1961

> If the two projects are developed under the same conditions of financing, load growth, and load factors, the cost of power from the Columbia River project and the cost of power from the Peace River project are practically indistinguishable averaged over the period to 1985 ... If power from either the Peace or Columbia projects is to be sold on a recoverable basis, then the Columbia downstream benefits as provided for by the Treaty would be logically the first choice as they are located closer to potential markets and would require less transmission cost.[11]
>
> -- B.C. government report,
> 1961

Although initially there was agreement between the B.C. government and B.C. Power on the feasibility and desirability of developing both the Peace and Columbia River projects and exporting excess power to the United States, as various negotiations for power sales and exports proceeded it became clear that the different criteria being employed by each was inexorably leading to a clash that could have only one outcome. Goals which on the surface seemed entirely compatible — B.C. Power's search for additional power to sell at profitable rates and the B.C. government's commitment to develop the Peace River — became mutually exclusive as the facts and figures were tallied up.

1957 marked the beginning of B.C.'s emerging hydroelectric energy policies as formal negotiations between the province, Canada and the United States began over development of the Columbia River[12] and B.C. entered an agreement with Swedish industrialist Axel Wenner-Gren that included possible development of Peace River power.[13] In 1958 Wenner-Gren joined forces with B.C. Power, Wood, Gundy and Co., Nesbitt, Thomson and Co. and others to incorporate the Peace River Power Development Company, a firm created to develop and market Peace power,[14] while Premier Bennett denounced the stalled negotiations between the federal and U.S. governments over the Columbia project.[15]

Despite Bennett's optimism about simultaneous development of both rivers, potential problems were beginning to surface. Foremost among them was B.C. Electric's announcement in late 1957 that it was commencing construction of the Burrard Thermal Plant, which, as Neil Swainson notes, could have prospectively preempted the power market.[16] However B.C. Electric participation in Peace River Power Development the following year relieved those fears and a suggestion by chairman Dal Grauer in March of 1959 that it would be wise to develop both rivers and export any surplus on a recoverable basis seemed to lay to rest any concerns the premier might have had about B.C. Electric's participation and support in his plans. This was apparently reconfirmed when Grauer told the PRPD board of directors in September of 1959 that B.C. Electric would purchase a block of future Peace power.[17]

While Grauer had verbally committed his company to purchasing Peace power he and his staff soon concluded that it would be necessary to export this energy to the U.S. market and began privately sounding out American utility firms.[18] In the meantime, as work progressed on the Peace proposal and negotiations continued on the Columbia River Treaty, it became more apparent to those involved that the two projects would be directly competing for the same limited market. By March of 1960, when PRPD president William Mainwaring approached both B.C. Electric and the small, publicly-owned B.C. Power Commission to sign letters of intent for the purchase of Peace power blocks, it was clear that the early optimism had disappeared. Grauer told Mainwaring that B.C. Electric, with its thermal plant and coal fields, had sufficient power sources for a decade in B.C., that B.C. Electric planners reported a flattening in the load-growth curve which made the quantity of Peace power suggested for purchase surplus to the company's needs and thus that B.C. Electric wanted only a smaller block of power, and at a lower price. The BCPC added that it was waiting for a B.C. Electric commitment to buy before joining in.[19] As Swainson aptly observes, B.C. Electric was in a dilemma; "it feared that power from the Peace might be significantly dearer than that from the Columbia, and it was well aware of the tug-of-war going on between Bennett and the federal government over the timing of the Peace development."[20]

To the premier, B.C. Electric's reticence was not acceptable, an opinion he made clear to Grauer and PRPD chairman Sir Andrew McTaggert on a special trip to London.[21] According to a later recollection of the meeting by Bennett, he imposed upon them a deadline for action which was never met:

> We are not going to sit by and watch potential development

> in British Columbia be held back by any source, not by big business, not by big labour, not by big government. I want you to clearly understand that. I will give you reasonable time but it will be short.[22]

Although Bennett's populist version of the dialogue may be apocryphal, his words left no doubt that the Peace would be developed, with or without private enterprise.

Bennett's veiled threat was somewhat blunted later in the year as a September election was fought with the CCF campaigning for the takeover of B.C. Electric and charging that the company was the Socreds' main source of funds. The takeover proposal was vigourously opposed by government cabinet ministers, although Bennett maintained a studied silence, and Social Credit was returned to office in a close vote.[23] [Despite the reassuring Socred victory it appears that B.C. Electric was taking some precautions. On Dec. 30, 1960 a report was prepared by its Research and Planning Division entitled "A Report on Electricity Rates in Great Britain Before and After Nationalization." Claiming public ownership of utilities was less effective than private, the report's abstract concluded: "The 'hidden' costs of public ownership are documented and the inadequate protection of consumer interests is shown."]

In the B.C. Power boardroom the question of Peace power's application continued to be discussed. On October 28, 1960 the board concurred with Grauer's view that Columbia power be retained for B.C. consumption and that any export of power from B.C. should come only from blocks of higher cost power than might be available, such as from the Peace project. On Nov. 24, 1960 the board discussed a proposed letter of intent from PRPD outlining power purchases over a 25-year period from 1968 to 1992. Grauer noted that the PRPD's proposed rates of increase were not realistic because they were based on a cumulative rate of load-growth that was true of the early post-war years but not of the current period, with its lower growth rate. He also stated that the proposal did not take into consideration power that might become available to B.C. Electric from the Columbia project.

Prices for power quoted by PRPD gave an approximate cost of six mills per kilowatt hour delivered at Lillooet at 60 per cent load factor. With the addition of wheeling charges the cost of Peace power would be 7.7 mills in Vancouver and 9.7 on Vancouver Island, Grauer said. He concluded that the prices and terms did not present any inducement to B.C. Electric to defer on its own expansion program. The proposed Burrard Thermal Plant would give the company power in Vancouver at 6.2 mills at 60 per cent load factor in 1973.

However Grauer did say that terms which might be offered on the Columbia power project could make deferment of the company's expansion plans practical. Since those terms remained an unknown Grauer suggested the company delay action on future power requirements until the figures became clear. The board then adopted a policy on the entire question which stated that: there was no practical purpose to be served at that time to try to force through commencement of construction of the Peace project in favour of, or in addition to, the Columbia project, particularly given that the federal commitment to the Columbia could either stop the Peace project or block permission needed for power exports; action be deferred on future power requirements until Columbia information became available; negotiations continue with PRPD for better terms but that signing the letter of intent be delayed; possibilities for the export of Peace power to the U.S. continue to be examined; the timing of the Peace project be reassessed if necessary; it be suggested PRPD continue with engineering and cost studies, with B.C. Power to contribute to such costs if necessary, but defer its preliminary construction program.[25]

The board meeting, which marked the last major discussion of the Peace project until days before the expropriation, makes clear several important points. B.C. Power had by this time determined that: Peace River power was not a profitable option for supplying the B.C. energy market, given the lower costs of its own projects — the Burrard Thermal Plant and the Hat Creek coal fields —

or the potentially lower costs of Columbia power; Peace power was still a possible money maker if exported to the U.S.; energy exports were dependent upon a favourable reponse from the federal government, which was committed to developing the Columbia, and simultaneous development of the Peace could lead to an export license rejection, with financially ruinous consequences; finally, that making a definite decision either way was extremely dangerous because of the federal-provincial war going on over power development. Given the lack of hard information, and a clear understanding of the consequences of coming down on the wrong side of the fence, B.C. Power took what was arguably the only decision it could -- it did nothing. With this non-decision however, B.C. Power's fate was sealed by a premier determined that the Peace project go ahead.

None of the events which followed in 1961 were sufficient to make B.C. Power change its position. On Jan. 17 Canada and the U.S. signed the Columbia River Treaty, making it even more difficult for the company to sign a letter of intent with PRPD.[26] Then, on Feb. 27, Bennett dropped a bombshell. Claiming that the federal government was taking an unfair share of a special corporation tax on private power utilities, the premier said that while his government was not in favour of public ownership:

> It doesn't hesitate to enter the field where necessary ... I give notice now to the federal government and everybody else that unless we get fair treatment we will have to take over the B.C. Electric.[27]

Although the comments sparked a fierce round of speculation neither the CCF nor B.C. Power seemed to think Bennett serious. CCF leader Robert Strachan said the government would not take such a step, adding that B.C. Electric, in his opinion, was not worried.[28] That view was backed up by Dal Grauer, who told shareholders at the annual meeting in March: "If it did happen, I am sure we would receive fair treatment; but I don't think it will, because Bennett is a free-enterprise man and he wouldn't want to discourage investment in British Columbia."[29]

B.C. Power's skepticism appears to have continued through until 10 days before the expropriation act was introduced. A number of press reports in early July speculating that the special session of the B.C. legislature called for Aug. 1 was being held to take over B.C. Electric were dismissed by the company in a two paragraph press release. At the board's July 6 meeting president H.L. Purdy, "expressed the view that the reports represented, in all probability, no more than efforts by members of the press in Ottawa, where the reports had originated, to maintain speculation on a subject of interest to certain sections of the public." Nothing more was said of the matter.[30]

On July 20, however, a special meeting of the board was called to discuss the possible expropriation of the company. Senior vice-president A. Bruce Robertson reported that PRPD had "urged on us a number of times that we might possibly save ourselves from expropriation by signing up with it" for Peace power purchases. He said B.C. Power suspected that the special session may have been called to stampede the company into signing an agreement but concluded that the arguments against signing an improvident contract were as valid then as before. The board agreed that the company should maintain a flexible position, making it clear to both governments it was willing and able to cooperate at all times. If expropriation appeared inevitable B.C. Power would "be prepared to face it earlier while the company is clean and whole in preference to later after it has been jockeyed into a position where it is in difficulties."[31] The board did not meet again until after the expropriation had taken place.

[An interesting question arises as to whether some or all members of the board were in fact more informed about the approaching expropriation than is indicated in the company's minutes. In addition to speculative press reports, certain high level business and political figures were apparently aware of the premier's plans at least seven weeks prior to the introduction of legislation. In a June letter to federal Conservative Finance Minister Donald Fleming, Vancouver lawyer and prominent federal Conservative Leon Ladner states that PRPD president William Mainwaring told him Bennett was preparing to take over B.C. Electric. Mainwaring's information was allegedly based on a personal conversation with the premier.[32] Since Mainwaring was previously a longtime B.C. Electric vice-president and sat on the PRPD board with B.C. Power's Robertson and Power director George Cunningham it seems possible his conversation with the premier would have been mentioned to them as well as to Ladner. Ladner's letter brings up many more questions: was Bennett making a last attempt to scare B.C. Power into signing a Peace power agreement by passing threatening information to Mainwaring?; was Ladner being used by either Bennett or Mainwaring as an information conduit to Ottawa?; did B.C. Power discount Mainwaring's story as an attempt by PRPD to force them into an agreement? By July 20, of course, it was clear that B.C. Power realized its situation and was prepared for expropriation, which makes further speculation on the Ladner letter academic.]

The Decision to Nationalize

> We really believe in free enterprise, but we don't let anyone stand in our way.[33]
>
> — Social Credit cabinet minister Phil Gaglardi

> British Columbia Electric Company distributed 90 per cent of the province's hydro-electric power. It didn't have the vision for the kind of growth our province needed.[34]
>
> — W.A.C. Bennett

By 1961 British Columbia Electric was in the unfortunate position of being in the Social Credit government's way. Bennett was by this point unalterably committed to developing both the Peace and Columbia rivers as the key component of his government's new economic development strategy. When B.C. Electric declined to purchase a large block of Peace power, the prerequisite for commencement of the project, Bennett was faced with two options: see the Peace postponed for many years, and with it the collapse of his development plans, or take over B.C. Electric and its near monopoly position in distributing energy in B.C. In the end the premier's perceived need for development of the Peace River region through the impetus of the power project proved stronger than any of the negative aspects connected to nationalizing the province's largest company.

Although the Social Credit economic development strategy was in many ways a continuation of the policies adopted by previous provincial governments — creating a favourable investment climate for the exploitation of natural resources — the nationalization of B.C. Electric was the most obvious indication that the state under Social Credit was taking on a new and more integral role in assisting private enterprises's resource ventures. B.C. had reached a new stage in its economy where for the first time the state, acting with the support of the dominant fractions of capital in the resource industries and with other non-ruling class backing, intervened against another fraction of capital, the investment sector interests behind BCE, for the overall benefit of the economic system.

Bennett's reasons for concluding that dual development of the Columbia and Peace power projects was essential are not difficult to ascertain once B.C.'s economic and political history are brought into perspective. As Edwin Black has noted, British Columbia has always seen economic development as the most important question in provincial politics.[35] Further, the economics of resource extraction, and hence economic development, have been and still are such that only large-scale enterprises are viable, leading to B.C.'s description as a "company province".[36] Thus economic development in British Columbia has always been intrinsically linked to the fortunes of large resource corporations primarily based outside of the province.

After attaining power the Social Credit government accelerated the age-old process of encouraging outside resource capital to invest in the province by embarking on the creation of transportation and communications infrastructures to facilitate the "opening up" of new areas for resource exploitation. The infrastructural development theme was a central one throughout the Bennett years. B.C.'s brief to the 1953 federal-provincial conference on cooperation in economic development, for example, stated:

> Of basic importance to the further economic development of British Columbia is the extension and improvement of transportation facilities. This is essential for the development of the rich resources of the northern and central interior regions of the province.[37]

The results of Bennett's economic development strategy speak for themselves. B.C., particularly in the early 1950s, was the site of enormous growth in the resource industries, as has been noted in the previous chapter. The development of this infrastructure was the guarantee that capital would continue to flow into the province, creating massive profits for the resource firms, lucrative financial deals for the finance capitalists of eastern Canada and elsewhere, opportunities for the regional bourgeoisie to get in on the action through smaller-scale resource extraction, construction projects and provision of services necessary for resource extraction and finally, on the bottom of the scale, employment for the working class and the petty bourgeoisie in resource and connected industries. Although this strategy was clearly successful in maintaining Social Credit in power for 20 years and providing short term rapid economic booms, its failures have been aptly described by Martin Robin:

> Class divisions were perpetuated and differential rewards retained. The secondary sectors of the economy remained weak and small in the wake of the hypertrophy of the capital-intensive primary extractive sector which yielded dividends out of all proportion to jobs.[38]

As Robin notes, this dependence upon resource extraction and export leaves the secondary sectors undeveloped, and thus places the onus of economic growth entirely on the resource sector. Since the resource industries depend on constantly finding and exploiting new sources of raw materials, and will collapse in the face of a diminishing resource base, it becomes incumbent upon the state in a resource-based economy to make available more natural resources or face economic stagnation.

After a phenomenal period of resource-fuelled economic growth in the early 1950s B.C.'s economy began to stagnate. Years of steady production increases in B.C.'s mainstay industries, forestry and mining, peaked in 1956 and then dropped off sharply. The net value of forestry production dropped from a record high of $666,572,000 in 1956 to $550,441,000 in 1958 and only returned to 1956 levels again in 1960.[39] The value of mining production dropped from its 1956 record of $190,067,465 to $146,560,908 in 1958 and did not recover to 1956 figures until 1962.[40] Private capital investment dropped considerably in 1957 and 1958 and by 1959 it was only at 75 per cent of the 1956 level.[41] Consequently government revenues dropped and expenditure cuts were felt throughout the province.[42]

Confronted by the economic downturn and the need to facilitate further resource exploitation, Bennett hit upon the plan of developing the Columbia and Peace rivers simultaneously. By 1957 negotiations between Canada and the U.S. were underway to see the Columbia developed. At the same time Wenner-Gren B.C. Development Co., the firm given a massive land, mineral and water reserve in the Peace River area by the provincial government, conducted damsite and engineering investigations on the Peace. In 1958, when it was discovered that the Peace had a power potential of four million horsepower, Peace River Power Development Co. was formed to develop the river.[43] If both developments proceeded the province's economy would once again be massively stimulated. Transportation and communications infrastructures needed to facilitate the developments, particularly in the Peace region, would open up the untapped area for resource development. Power would be available there for the resource industries which needed large amounts of energy. The money, jobs and activity being created would prime the boom economy pump and bring in further capital investment. The economic slowdown would soon end.

As events proceeded, however, the dual development plan went awry. As was previously detailed, B.C. Electric declined to sign up for purchase of Peace power. The company, seeing that other power was available for lower rates and that the federal government's support for the Columbia could mean federal disallowance of potential power exports to the U.S., viewed by the company as the only possible profitable usage for Peace power, had no reason to buy power that would be expensive and perhaps unmarketable. Its own alternative sources of power were reasonably priced and sufficient to meet its needs and furthermore, the company foresaw the danger of coming between the two governments.

B.C. Electric's continuing refusal to purchase Peace power left both PRPD and, more importantly, Premier Bennett, in an untenable situation. Without access to B.C. Electric's huge domestic market the Peace project was clearly unviable and with its imminent collapse would come the failure of the government's plans to develop the Peace region. Bennett's initial response — to pressure B.C. Electric into signing with PRPD — was, as previously noted, unsuccessful. Given the commitment to develop the Peace Bennett was then left with only one option: nationalization of B.C. Electric.

Nationalization of BCE, and the PRPD, was a bold stroke that provided all the requirements necessary to ensure the Peace River, and consequently the region, was developed and it also guaranteed Social Credit some political and financial fringe benefits. By taking over B.C. Electric the province instantly gained a near monopoly position in the distribution of electricity in B.C., ensuring that it could develop the Peace to supply B.C. energy needs without fear of facing competition from cheaper energy sources, such as the Columbia or Hat Creek. Its control over the domestic market, plus the necessary provincial approval of the Columbia River Treaty, meant it could force the federal government into agreeing to sell cheap Columbia power to the U.S. on a longterm contract basis and reap the financial benefits to help pay for infrastructural development needed in the Peace region.

The move also garnered Bennett considerable political advantages. Public power had proven a popular issue when raised by the CCF in the 1960 election that saw Social Credit support slip badly. Bennett was able to undercut the CCF/NDP by eliminating one of its major platforms and at the same time make charges that his government was in the pocket of B.C. Electric look ridiculous. It also reasserted Social Credit's seriously faded populist image of the early 1950s, with the party once again on the side of the "little people" in fighting the company that epitomized big business in the province. And it was Bennett, the hardware merchant from the hinterlands, the outsider, taking on the Vancouver establishment, personified by the cosmopolitan, well-educated and rich chairman of B.C. Electric, Dal Grauer. Although both men were millionaires and Bennett's action was aimed at bringing into the province corporations far bigger than B.C. Electric, not promoting "people's power", the premier knew how to milk the populist image for all it was worth.

Finally, B.C. Electric, because it was now owned by the provincial government, would not have to pay the federal tax levied on private utilities, amounting to several million dollars a year, according to the premier. It was, in fact, for this reason that he publicly claimed the province was forced to expropriate B.C. Electric.[44]

Having taken the bold decision which allowed his new economic development plans to proceed and gained him political dividends in some quarters, Bennett was left to face the reaction of the public, the business community and the courts.

CHAPTER II

FOOTNOTES

[1] B.C. Power Corporation, Annual Reports, 1954-1961, back cover.

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[3] Ibid., pp. 347-348.

[4] Ibid., p. 349.

[5] Interview with Geoff Andrew, former Vice President, University of British Columbia, 11 February 1983.

[6] Stuart Keate, "Why Bennett Took Over B.C. Power", Saturday Night, 16 September 1961., p. 14.

[7] Hugh L. Keenleyside, On the Bridge of Time: Memoirs of Hugh L. Keenelyside (Toronto: McClelland and Stewart Ltd., 1982), p. 483, Sanford, p. 210.

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[11] British Columbia, B.C. Energy Board, Report on the Columbia and Peace Power Projects, Victoria, 31 July 1961, pp. 5-6.

[12] Neil A. Swainson, Conflict Over the Columbia: the Canadian background to an historic treaty (Montreal: McGill-Queen's University Press, 1979), p. 72.

[13] Robin, The Pillars of Profit, p. 208.

[14] "Men Behind Peace", Financial Post, 18 March 1961, p. BC4.

[15] Robin, The Pillars of Profit, p. 211.

[16] Swainson, p. 82.

[17] Ibid., pp. 117-118.

[18] Ibid., p. 118.

[19] Ibid., p. 157.

[20] Ibid., p. 157.

[21] Ibid., p. 158.

[22] Keene and Humphreys, p. 116.

[23] Swainson, pp. 162-163, Robin, The Pillars of Profit, p. 217-220.

[24] C.A. Manson, "A Report on Electricity Rates in Great Britain Before and After Nationalization", (Vancouver: B.C. Electric Co., 30 December 1960).

[25] Preceeding information from B.C. Power Board of Directors Minutes, 24 November 1960, pp. 3580-3582 and 28 October 1960, p. 3565.

[26] B.C. Power Minutes, 20 July 1961, p. 3685.

[27] "Takeover of BCE Hinted", Vancouver Sun, 28 February 1961, p. 1.

[28] Ibid., p. 1.

[29] Keate, pp. 13-14.

[30] B.C. Power Minutes, 6 July 1961, p. 3680.

[31] B.C. Power Minutes, 20 July 1961, pp. 3686-3687.

[32] Leon J. Ladner, letter to Donald M. Fleming, 9 June 1961, Leon J. Ladner Papers, Special Collections, University of British Columbia.

[33] Robin, The Pillars of Profit, p. 232.

[34] Keene and Humphreys, p. 114.

[35] Black, p.23.

[36] Sanford, p. 51.

[37] British Columbia, A Brief Submitted to the Government of Canada by the Government of British Columbia on Federal-Provincial Co-Operation in Economic Development, Victoria, 14 December 1953, p. 20.

[38] Robin, The Pillars of Profits, p. 224.

[39] Facts and Statistics, 1962, p. 36.

[40] Ibid., p. 37.

[41] Robin, The Pillars of Profits, pp. 205-206.

[42] Ibid., p. 206.

[43] "Men Behind Peace", p. BC4.

[44] W.A.C. Bennett, "Why I Took Over B.C. Electric", Monetary Times, November 1961, pp. 20-22.

CHAPTER III

PROVINCE-BUILDING: RELATIVE AUTONOMY AND ECONOMIC STRATEGY

> It is gratifying to note that an overwhelming majority of those affected have expressed approval both of the methods used to determine fair compensation and of the amounts offered.
>
> — Premier W.A.C. Bennett[1]

> I'm afraid for the time being that [the terms of compensation for expropriation] may have had some detrimental effects on some who were considering further investment in B.C. I hope such effects will not be permanent. It would be a tragedy if they were.
>
> — Viscount Amory, British High Commissioner to Canada[2]

The swift decision of Social Credit to expropriate B.C. Electric in order to proceed with its plans to develop the Peace River met with a predictably hostile response from the national and international investment community, particularly from those capitalists in eastern Canada and Britain who were directly affected by way of their ownership of B.C. Power Corporation shares. The reaction of the investment capitalists and Bennett's successful ability to deal with their attacks on and challenges to his government serve as a useful demonstration of how the relative autonomy of a state can be strengthened when it is used to pursue new capitalist economic development strategies and is buttressed by support from various classes and class fractions. This use of relative autonomy in a province-building strategy in British Columbia can be seen in some ways as a precursor for actions taken in Alberta in the 1970s, though some crucial differences must be noted.

The investment capital opposition to the expropriation was based primarily, though not exclusively, on the Social Credit government's decision to arbitrarily set the amount of compensation for the BCE and its attempt to ban any court actions aimed at obtaining a judicial evaluation of the company's worth. Sir Edwin Herbert, immediate past chairman of the Association of Investment Trusts and a representative of British B.C. Power shareholders, succinctly outlined the investors' case:

> It is accepted that any sovereign state has the right, in accordance with its legal powers, to acquire a public utility undertaking and that as much as such a course is to be regretted, no complaint can be made. What is unfair and improper is the method adopted, a method which shakes the foundations of confidence.[3]

The perceived threat in the BCE case was one to the property rights of capital and to its right to recourse through the courts to challenge government actions. Ultimately, as shall be seen in the following chapter, the judiciary did indeed uphold those rights.

The inability of investment capital, in particular the actual shareholders, to force the Bennett government to back down from its position and renegotiate the takeover terms until a successful judicial intervention two years later (an intervention, as will be noted, that did not significantly alter the government strategy) clearly shows that the relative autonomy of the state can, under the right conditions, successfully weather attack by fractions of the ruling class. Further, in this case, the provincial state's relative autonomy was also strong enough to thwart the goals of the federal state and force it to bow to the province's wishes.

The key to the Social Credit success lay in its skilful development of an economic strategy that garnered it support, or in some cases acquiescence, from other fractions of capital and from other classes in B.C. and thus allowed it to basically disregard antagonism from investment capital and a potential capital strike that could have crippled the province's economy. Without the substantial backing of resource sector corporations in particular, which saw in Bennett's plan the foundation for a major new program of resource exploitation in a hitherto undeveloped region, it seems apparent that the provincial government would have been forced to back down in the face of continuous threats to the B.C. investment climate.

Despite the properly respectful language used by investors opposed to the takeover and their acknowledgement of the government's right to take such actions "in accordance with its legal powers," it would be an error to downplay the seriousness of their opposition to the Bennett legislation. National and international investors and their associations stridently condemned the government and warned of the consequences for capital investment in the province. A.J. Milner, president of the Investment Dealers Association of Canada, called the expropriation "unjust" and said arbitration was needed to help "restore the shaken confidence of Canadian and foreign investors in the integrity of this government and in the conditions of investment in private industry in B.C."[4] Barron's business weekly, in a front page editorial titled "Lust for Power," said the terms "smack less of expropriation than of confiscation" and added that it would affect the confidence of investors in B.C.[5] The London Times denounced the "utter disregard of recent precedent, to say nothing of the principles expected from professed supporters of free enterprise which the governing Social Credit Party have always claimed to be."[6] The Financial Post noted that the investment climate in B.C. was "pretty cloudy"[7] as a result of the expropriation and said the price offered in Bennett's "stick 'em up proposal isn't good."[8] The Economist said B.C.'s "arbitrary and hasty" takeover methods would likely affect the province's credit standing in Britain.[9]

International investment houses also jumped into the fray, with the Swiss Bankers Association stating that if Bennett's measures were upheld "there is a danger that they would prove a serious obstacle to the development of future investment in Canada and more especially in your province, whose credit would be affected." N.M. Rothschild and Sons cabled the premier: "... we believe such action cannot fail to have an adverse effect on the future attitude of British investors in British Columbia." Other investors in Europe echoed their comments.[10]

The breadth of opposition in the investment community to the nationalization clearly illustrates the importance placed on the case. Seldom, if ever, in Canadian economic history has one government been attacked by national and international capital with such unanimous scorn, particularly a government which boasted of its free enterprise ideology, unlike the social democratic pariah of Saskatchewan. It is in this condemnation by powerful forces within the ruling class that the relative autonomy of the state in B.C. came up against its stiffest challenge. The response of the state, while often bumbling and unnecessarily harsh, illustrates how playing off the interests of different fractions of capital, in this case resource and investment capital, while pursuing an economic strategy which garners support from various classes in society can successfully defend and in this case expand the state's degree of relative autonomy.

It is of crucial importance in attempting to understand the concept of relative autonomy to identify under what conditions and in what ways it can gain strength. As Miliband has noted, "... the analysis of the meaning and implications of that notion of relative autonomy must indeed focus on the forces which cause it to be greater or less, the circumstances in which it is exercised, and so on."[11] This view, that there are various forces in society which can influence the degree of relative autonomy exercised by the state, clearly points to the possibility of various classes and/or class fractions working in some form of alliance to increase, for their own separate reasons, the autonomy of the state from the ruling class. Sweezy saw early in the emerging debate on a new Marxist theory of the state that such actions were likely when he stated that: "Under certain circumstances, other classes or segments of classes can force the state to make concessions to their interests."[12]

In the case of the nationalization of B.C. Electric it was in fact the alliance of the Social Credit party's class base -- the petty bourgeoisie, nascent regional bourgeoisie, unorganized working class and others -- with the resource capital fraction of the bourgeoisie that allowed the provincial government to succeed in its plans. Working together with the common interest of developing new areas for resource exploitation, providing profits for resource capital, spin-off profits for smaller business and contractors and boom cycle jobs for workers, the forces involved were sufficiently strong enough to resist the pressure mounted by investment capital. Further, the organized working class, through its political representatives, the NDP, and its economic representatives, the trade unions, was at least in favour of the nationalization itself, if not entirely behind the Social Credit master plan for economic development. Finally the "general public," an admittedly nebulous term, was receptive to the nationalization itself, though to some degree concerned with the methods undertaken.[13]

The Bennett government was fully cognizant of the necessity to foster resource capital support for the nationalization and moved quickly to establish that it had the backing necessary to follow through its course of action. The new B.C. Electric board of directors appointed by the government following the takeover made it clear that the move had substantial business support. Frank Mackenzie Ross, B.C.'s former lieutenant-governor and a prominent industrialist, was the most important business heavyweight recruited by Social Credit. As chairman of Western Bridge & Steel Fabricators, Canadian Dredge & Dock, International Paints (Canada) and Lafarge Cement of North America, and as a director of the Commerce-Imperial Bank, RCA Victor, North American Elevators, Westcoast Transmission, Canada Trust, Canada Wire and Cable, Bralorne-Pioneer Mines and other firms, Ross brought to the BCE board his enormous clout and respect in Canadian business circles.

Former Socred Finance Minister Einar Gunderson was a trusted Bennett confidant whose directorships with the Commerce-Imperial Bank, Wenner-Gren

B.C. Development and Peace River Power Development put him in a good position to mediate between business and government. The appointment of lawyer Arthur Fouks, president of Puritan Canners and a former B.C. government counsel, reassured the corporate law world, while the retention of former B.C. Electric director and vice-president W.C. Mearns showed the government's desire to maintain a level of continuity in the company's board. Gordon Shrum's lengthy career as an academic and civil servant with strong connections to the B.C. business establishment guaranteed him a high degree of support. Lands and Forests Minister Ray Williston was appointed to give Bennett a direct pipeline into the board.[14]

In addition to appointing an impressive board of directors, Bennett went on the offensive against his investment capital detractors. In September the government placed a two-page advertisement in the London Financial Times extolling the benefits of investment in the province. "The investment climate is inviting in growing B.C.," claimed the ad. As if to confirm the happiness of resource capital with the situation in B.C., the ad also featured an article written by J.V. Clyne, chairman of MacMillan, Bloedel and Powell River.[15] At a time when various national and international investors were condemning the government takeover it seems obvious that the chairman of MacMillan Bloedel would decline to be prominently displayed as a salesman for Social Credit unless it had his support.

In November the offensive continued with Premier Bennett taking the unusual step of issuing a special statement exclusively to the Monetary Times business magazine, in which he defended the takeover. Blaming unnamed "hired publicists" for attempting to create an atmosphere of disapproval around the expropriation, the premier reasserted Social Credit's free enterprise philosophy and argued that the takeover was unavoidable.[16] The Monetary Times statement was later run as a full page ad in both the Vancouver Sun and Province.[17]

The results of the Social Credit strategy show up in a number of measures, all of which indicate that the government was able to retain and strengthen its position without encountering the serious economic misfortune predicted by investment capitalists. One of the key measures of general business confidence in a government is its credit rating for borrowing, as determined by the authoritative Moody's Municipal and Government Manual in North America. From 1958, well before the nationalization, through to 1964, after the legal battles and compensation had been settled, B.C. maintained a solid A credit rating from Moody's. Furthermore, in 1963 the newly constituted B.C. Hydro and Power Authority was also given an A credit rating. The A category, the third highest, is a healthy rating:

> A -- Bonds which are rated A possess many favourable investment attributes and are to be considered as higher medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.[18]

An examination of B.C. industrial expansion figures also shows that the province maintained a high investment level following the nationalization. Government recorded projects totalling $189,091,000 were completed in 1961, followed by a dip to $73,493,000 in 1962, then up to $155,189,000 in 1963, $270,706,000 in 1964, $195,476,000 in 1965 and $399,146,000 in 1966.[19] Although the totals fluctuate it is clear that no real drop occurred in the post expropriation years.

Far more indicative of investment confidence are the figures for annual capital and repair expenditures in B.C. for the years after 1961. Utilities expenditures rose from $274 million in 1960 to $694 million in 1968, manufacturing expenditures jumped from $190 million in 1960 to $349 million in 1968, housing from $229 million in 1960 to $366 million in 1968 and other expenditures from $254 million in 1960 to $671 million in 1968, for a total increase of $1,333 million, from $1,225 in 1960 to $2,558 million in 1968.[20] Major local, national and foreign firms continued to invest heavily, increasing the flow of capital into B.C.'s resource industries by beginning new ventures and expanding existing ones.

Other indications of business prosperity and increasing capital investment come from business organizations. Although it expressed concern over the manner of the B.C. Electric takeover, the B.C. and Yukon Chamber of Mines observed that mining activity was on the increase in 1962 and the years following. Chamber manager Thomas Elliott noted in 1962 that 60 companies were active in mineral exploration and spending roughly $5 million a year. He had a "great deal of satisfaction" from the increasing interest of foreign companies in mineral resources.[21] Mineral production continued to increase rapidly with the influx of foreign investment and in 1964 the Chamber appointed representatives of two Japanese mining firms to its honourary advisory board in recognition of the growing importance of the Japanese market.[22] In 1965 manager Elliott stated: "We are continually on the alert to assist in preserving the favourable investment climate that now exists in this area for the investment of risk capital ..."[23] By 1966 the Chamber estimated that $20 million was being spent annually on prospecting and exploration, with 50 per cent of the total coming from the United States and 30 per cent from large Canadian companies.[24] By 1968 exploration was up to $35 million annually and production topped $400 million.[25] Clearly the mining industry was not troubled by any lack of investment capital.

In fact, despite the dire predictions of the investment community, business in B.C. was booming in all fields in the years following the takeover of BCE.[26] Forest production, the mainstay of the economy, continued its strong recovery from the recession of 1957-58. Timber scaled increased 37 per cent from 1961 to 1966, lumber production rose 30 per cent, plywood production 38 per cent, pulp production jumped 62 per cent and paper production by 48 per cent.[27] During the same time period the net value of production in the manufacturing sector increased 56 per cent.[28] Rather than turn the province into a capital investment ghetto, Bennett's policies, as planned, enticed more foreign and eastern Canadian capital than ever before into British Columbia, through the execution of a new economic strategy supported by resource capital.

Public Reaction

While resource capitalists gave the Bennett government a vote of confidence in the form of investment dollars, the public lined up behind Social Credit at the 1963 ballot boxes. Public support for the nationalization was strong from the start and although many people were unhappy with the arbitrary methods employed by Bennett they were satisfied with the results. A Province newspaper survey of 1,000 people in September of 1961 found that 50 per cent of those polled supported the takeover in principle and that despite concern from a majority about the way terms were set, 38 per cent were pleased and 28 per cent unconcerned overall.[29] Although some business groups, such as the Vancouver Board of Trade, objected to the takeover methods,[30] other public groups such as the advisory board of farmer institutes, representing most farmers in B.C., commended the government for expropriating B.C. Electric.[31] Several publications, including the Financial Post, noted the public apathy surrounding the takeover.[32] In fact, as the Vancouver Sun stated the day after the legislation was introduced, the move found widespread public support from people fed up with B.C. Electric's performance.[33]

Also indicative of the mood of the province was the unusual unanimous 50-0 vote in the legislature in favour of expropriation, with all political parties supporting the action.[34] B.C. Power chairman A. Bruce Robertson was moved in a speech to shareholders in December 1961 to attack the opposition in the legislature for initially failing to even raise any serious objections to the method of fixing compensation for B.C. Electric shares.[35] Privately, in a B.C. Power board meeting in February 1962, members of the board were forced to admit that despite all efforts there was widespread public apathy towards the shareholders' campaign in fighting the government for more compensation.[36]

The ultimate test for the Bennett government came in September 1963 as the province went to the polls for the first time since the takeover, and only days after the government and B.C. Power came to a final resolution of the compensation. Despite the presence of a resurgent provincial Conservative party led by Bennett's former federal foe, E. Davie Fulton, the Socreds were once again victorious, watching the NDP drop two seats and five percentage points in the popular vote and the Tories remain seatless.[37] The Social Credit success underlines the importance of populism in B.C. politics and how it can be used in pursuing economic strategies that are opposed by fractions of capital. The voters of B.C. apparently agreed with cabinet minister Phil Gaglardi's populist assessment of the situation: "We are not interested in the politics of power. We want to be able to turn on a switch and see the lights on."[38]

The Federal-Provincial Struggle

> For all the centralisation of power, which is a major feature of governments in these countries [of advanced capitalism], sub-central organs of government ... have remained power structures in their own right, and therefore able to affect very markedly the lives of the populations they have governed.[39]

Of no small importance in the examination of the relative autonomy of the provincial state from the ruling class, and indeed from all classes, is the degree of autonomy it possesses vis-a-vis the federal state. In the past decade that question has become a key one for several provinces fighting for increased economic and political autonomy from a federal government equally determined to maintain its central role in governing the nation. In the case of B.C.'s nationalization of B.C. Electric and in doing so its thwarting of federal plans for the use of Columbia River power it can be seen that events in B.C. merely foreshadowed the political and legal battles of the 1970s between the federal government and the governments of Alberta and Saskatchewan over similar issues.

A key difference between the strategy of B.C. and that of Alberta and Saskatchewan, however, is that in B.C. the provincial state used the economic and political power of U.S. and other foreign corporations, as well as that of the U.S. government, to achieve its goals, while in the Prairie provinces, particularly Saskatchewan, regional economic nationalism was the force fighting the federal state and its predominantly American industrial allies.[40] In B.C. the regional resource capitalists and the other class forces dependent on resource exploitation saw their interests being best furthered not by nationalism but by an alliance with big international capital, which would increase the export of raw and semi-processed resources from the province. Nevertheless, the strategies pursued by the three western provinces can all be seen as resource industry based province-building efforts, albeit with decidely different approaches and results.

While the government of B.C. and its supporters were unanimous in their belief that B.C.'s best interests lay in continuing multinational resource exploitation, the federal government of John Diefenbaker lacked a unified position on this issue, and many others. Those opposed to the Bennett government takeover and subsequent plan to sell cheap downstream Columbia power to the U.S. were led by Justice Minister E. Davie Fulton, who called the Bennett proposal the greatest American windfall since the purchase of Manhattan Island.[41] Fulton and others, in their anger at the thought of the premier's "sellout" scheme, even considered having the takeover legislation disallowed.[42] However, the economic nationalists in the Conservative cabinet, who understood like Dal Grauer that cheap Columbia power could be the stimulus for the development of secondary industry in B.C. much as low cost power had been earlier for the U.S. Pacific Northwest,[43] were no match for the continentalists, whose position was strengthened by the actions of Bennett.

Bennett's careful maneuvering, as with the investment capitalists, increased B.C.'s relative autonomy from the federal state through a series of deft decisions and fortuitous occurrences. First, as has been previously noted, Bennett gained the support of resource capital, local, national and international, through the development of a new economic strategy for the further exploitation of the province's untapped resources. Again, the near unanimity of business approval of a new capitalist economic development plan mapped out by a free enterprise government must be noted, particularly in comparison with the almost reversed situation in Saskatchewan during the potash nationalization. Second, B.C. was able to bring the powerful interest of the U.S. government in importing cheap hydroelectricity into the struggle with the federal government. In a shrewd breach of diplomatic protocol, Bennett made an impromptu visit to Seattle in November of 1961 for a brief meeting with President John F. Kennedy and Interior Secretary Stewart Udall,[44] raising federal hackles but publicly demonstrating U.S. support at the highest political levels for the Columbia power sale.

Third, Bennett was fortunate in facing a federal government that was rapidly disintegrating and lacked the internal cohesion needed to develop a strategy that could have effectively countered B.C.'s plan. When the country went to the polls in June of 1962 the B.C. premier sensed that a valuable opportunity was knocking and forthwith threw his energies into the federal Social Credit campaign, speaking in Ontario, Quebec and B.C.[45] for a party he had previously barely acknowledged. The consequent election results left the Conservatives in a minority government dependent for support upon the 30 members of Social Credit. Bennett, stating that if the hapless Tories did not "bring in dynamic policies there is no reason to keep them in power,"[46] made clear the need for the federal government to acquiesce to his plans for the sale of Columbia power to the south. In August Fulton was demoted to Public Works Minister and the federal throne speech set out a new government policy: "... large scale, long term contracts for export of power surpluses ... should now be encouraged."[47] The subsequent collapse of the Diefenbaker regime and its replacement by a minority Liberal government under Lester Pearson made little difference. Pearson, who had characterized the Columbia River Treaty as "a very sad story indeed"[48], reversed himself and presided over the final negotiations that turned the sad story into law.[49]

Thus Bennett's government was able to win a strong victory over the federal government forces opposed to his plans, though subsequently the federally appointed judiciary did intervene to defend the property rights of the investment capitalists whose firm was expropriated. Still, compared to the ongoing and unresolved resource battles between the Prairie provinces and the federal government, the B.C. government came out of the dispute an unequivocal winner, its economic development plan completely intact. It should again be noted that the ideology of the government was important in gaining allies and achieving its goals, something which can also be seen in Alberta's relatively greater success than Saskatchewan.

In summary then, it can be seen that the relative autonomy of a provincial state can be significantly increased under certain circumstances. In the example of B.C. the development of a viable new capitalist economic development plan that gained support from resource capital, the dominant class fraction of the bourgeoisie operating in the province, combined with the backing of other non-ruling class forces was sufficient to overcome the opposition of investment capitalists and a fractured federal government to British Columbia's province-building strategy.

CHAPTER III

FOOTNOTES

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2 "Method of BCE Takeover Alarms U.K., Says Envoy", Vancouver Sun, 23 May 1962, p. 16.

3 "Faith in B.C. Broken by BCE Grab: Briton", Vancouver Province, 8 December 1961, p. 1.

4 "IDA Head Critical of BCE Takeover", Vancouver Sun, 8 August 1961, p. 10.

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7 "What Will It Mean to B.C. Investments?", Financial Post, 5 August 1961, p. 3.

8 "The Takeover", Financial Post, 12 August 1961, p. 1.

9 "BCE Takeover: 'Arbitrary and hasty'", Vancouver Province, 24 August 1961, p. 4.

10 "Critical Flood Hits BCE Expropriation", Vancouver Sun, 12 October 1961, p. 32.

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12 Sweezy, pp. 87-88.

13 John De Wolf, "Public turning against BCE 'grab'", Vancouver Province, 30 September 1961, p. 1.

14 "These Men Now Run B.C. Electric", Financial Post, 19 August 1961, p. 9.

15 "Bennett Buys Ad to Lure Capital to B.C.", Vancouver Sun, 12 October 1961, p. 32.

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[23] Ibid., 12 January 1965.

[24] Ibid., 6 June 1966.

[25] Ibid., 14 January 1969.

[26] Robin, The Pillars of Profit, pp. 242-243.

[27] Facts and Statistics, 1972, p. 35.

[28] Summary of Economic Activity, p. XXIII.

[29] DeWolf, Vancouver Province, 30 September 1961, p. 1.

[30] Reg T. Rose, General Manager, Vancouver Board of Trade, letter to W.A.C. Bennett, 14 September 1961.

[31] "2 Takeovers Commended by Farmers", Vancouver Sun, 3 November 1961, p. 56.

[32] "The Takeover", Financial Post, p. 1.

[33] "The BCE Takeover", Vancouver Sun, 2 August 1961, p. 4.

[34] Robin, The Pillars of Profits, p. 229.

[35] A. Bruce Robertson, speech to B.C. Power shareholders, 18 December 1961, (Copy in B.C. Power Minutes).

[36] B.C. Power Minutes, 27 February 1962, pp. 3788-3789.

[37] Robin, The Pillars of Profits, p. 247.

[38] Ibid., p. 221.

[39] Ralph Miliband, The State in Capitalist Society (London: Quartet Books Ltd., 1973), p. 49.

[40] John Richards and Larry Pratt, Prairie Capitalism (Toronto: McClelland and Stewart Ltd., 1979).

[41] Robin, The Pillars of Profit, p. 239.

[42] Ibid., p. 237.

[43] Grauer, p. 283.

[44] Robin, The Pillars of Profit, pp. 237-238.

[45] Ibid., p. 239.

[46] Ibid., p. 240.

[47] Swainson, p. 228.

[48] Robin, The Pillars of Profit, p. 240.

[49] Ibid., pp. 238-239, Swainson, p. 211.

CHAPTER IV

NATIONALIZATION AND THE JUDICIARY

The Role of the Judiciary in the State

> The very considerations which judges most rarely mention, and always with an apology, are the secret root from which the law draws all the juices of life. I mean, of course, considerations of what is expedient for the community.
>
> -- Justice Oliver Wendell Holmes[1]

> ... how could such a powerful institution be floating in the realm of pure justice, undetermined by the economic base of the society.[2]

One of the thorniest problems facing political economists as they attempt to develop comprehensive theories on the role of the state is how to understand the function of the judiciary, a component of the state only nominally independent of the various other elements that comprise the capitalist state. The paucity of research examining the crucial role of the judiciary is perhaps indicative of the difficulties inherent in satisfactorily resolving the question.[3] Certainly in Canada neither neo-Marxist political economists nor liberal social scientists have produced any major analysis of the judiciary. John Porter aptly noted in 1965 that, "As every observer knows the links between politics and the courts is a close one,"[4] and commented further that, "It is interesting that no Canadian political scientist has yet undertaken an examination of the judicial system, of the men who work in it, and of their philosophies."[5] The paradox remains a puzzling one still some 18 years later and indicates not only the amount of work yet to be done in analysing the Canadian state but also the strength of the myth of "independence" that has protected the judiciary from an effective examination of its role.

The lack of analysis of the judiciary as a key component of the state applies even more so on the provincial state level. There even the most rudimentary examinations of the provincial courts are lacking. As one observer has noted, "Provincial court systems have almost entirely escaped the attention of both political scientists and lawyers ... So far the provincial court systems have not deserved even one monographic study."[6] Yet the presence of key members of the provincial bourgeoisie on the benches of the various levels of provincial courts should in itself be reason for examination of the system by political economists. Further, the fact that the provincial courts are the one component of the provincial state completely dependent upon federal government appointments to the bench should also draw attention, if only for no other reason that the federal-provincial relations aspect.

Despite the lack of Canadian material, some beginning steps have been taken elsewhere that have useful application here. A beginning point is the necessity of rejecting orthodox Marxist instrumentalism as a means of understanding the complex role of the judiciary. Just as it is too simplistic to argue that the modern state is no more than a "committee for managing the common affairs of the whole bourgeoisie,"[7] so too is it a mistake to "speak of law intelligibly as an external, coercive tool of the ruling class."[8]

Two important themes can be cited in the search for a meaningful framework for analysis: firstly, that members of the judiciary are also members of the ruling class in society and that despite protestations of independence their class background and position are of importance in their decisions and interpretations of the law and secondly, that the judiciary does have its own degree of relative autonomy, though, as in the case of the overall state, it is clearly restricted.

Ralph Miliband, in a cogent, if brief, look at the judiciary's functions, attacks the traditional liberal mythology that judges are independent and not influenced by their backgrounds. He quotes Lord Justice Scrutton:

> ... the habits you are trained in, the people with whom

> you mix, lead to your having a certain class of ideas of such a nature that, when you have to deal with other ideas, you do not give as round and accurate judgements as you would wish. This is one of the great difficulties at present with Labour. Labour says: 'Where are your impartial judges? They all move in the same circle as the employers, and they are all educated and nursed in the same ideas as the employers. How can a Labour man or a trade unionist get impartial justice?' It is very difficult sometimes to be sure that you have put yourself into a thoroughly impartial position between two disputants, one of your own class and one not of your class.[9]

Miliband states that the ideological dispositions of members of the judiciary are important because of the discretion accorded judges in the application of the law and in the active making of the law through judicial interpretation. "In thus interpreting and making law, judges cannot fail to be deeply affected by their view of the world, which in turn determines their attitude to the conflicts which occur in it." Thus he concludes:

> The judiciary, in short, has no more been 'above' the conflicts of capitalist society than any other part of the state system. Judges have been deeply involved in these conflicts; and of all classes it is certainly the dominant class which had least to complain about the nature and direction of that involvement.[11]

The second theme, that of relative autonomy of the judiciary, is taken up by Mark Tushnet, who poses three fundamental problems for a Marxist analysis to deal with:

• to provide a material basis for the existence and specific ideological content of a legal form in capitalist society, while avoiding the reductionist trap of viewing form and content as direct expressions of the interests, narrowly defined, of the bourgeoisie.

• to show how the structure of the legal system supports its autonomy from the political and economic structure of capitalism. But Marxists must not regard this legal autonomy as absolute.

• to give content to the idea of the relative autonomy of the law.[12] Thus

Tushnet and others pose the same challenge for neo-Marxist analysis of the judiciary as Miliband and his colleagues have in dealing with the role of the state: develop a more sophisticated analysis of power structures which goes beyond the simplicity of orthodox Marxist instrumentalism but which retains the Marxist understanding of the class structure and the bourgeoisie's ruling power. Fraser puts forward a starting position:

> The law is neither a thing nor a mere tool, conceptual or otherwise, in the hands of the dominant classes. Rather, it is a social process, heavily distorted by the reality of domination, which generates a structure of normative ordering binding on all the members of a social collectivity.[13]

As has been stated in regard to other questions previously discussed in this thesis, this is not the place to develop a workable Marxist analysis of the judiciary. However in examining the nationalization of B.C. Electric it is evident that the lengthy and important court battle, the ultra vires ruling of Chief Justice Lett reversing the provincial takeover and the subsequent direct involvement of the Chief Justice in negotiations leading to the successful purchase of B.C. Electric by the government all point to the key role played by the judiciary. It is crucial, then, in examining the nationalization, to study the theoretical and practical aspects of the judicial system in this case.

Issues in the BCE Case

The challenge made to the legality of the provincial government takeover of B.C. Electric by its parent company, B.C. Power, was, on the surface, a straightforward matter: did the state have the right to expropriate a private sector firm and arbitrarily set its own price for the takeover? However, such a simple reading ignores the many important questions, chiefly political rather than legal ones, which were being brought to the court.

No one disputed the right of the state to expropriate private property.

Instead, at the heart of the case was in fact a clash between a government formed primarily by the rising B.C. petty bourgeoisie with strong support from local, national and international resource capital and a regional bourgeoisie, with substantial national and international investment and finance capital backing, whose economic vehicle was being sacrificed for the benefit of furthering resource exploitation. The case also involved potential damage to the government, the judiciary and private property rights, all of which demand legitimacy in order to function effectively in a capitalist society.

It was recognized early in western civilization that the judiciary was a necessary institution for the peaceful settlement of disputes, and as such had to maintain a certain distance from other branches of the state. Montesquieu defined in 1750 the three different powers found in every state: the legislative, the executive and the judiciary, and the need for their separation. Of the judiciary he said:

> ... there is no liberty, if the judiciary power be not separated from the legislative and executive. Were it joined with the legislative, the life and liberty of the subject would be exposed to arbitrary control; for the judge would then be the legislator. Were it joined to the executive power, the judge might behave with violence and oppression.[14]

Thus from an early date it was seen that the judiciary required some form of "relative autonomy" from the governing forces in order to fulfill its role as a part of the state.

In the modern era, as new class forces grew and gained the potential power to displace the bourgeoisie, the ability of the judiciary to maintain the role of arbitrator through the use of its relative autonomy became more vital. As Roelofs has noted in her examination of the role played by the U.S. Supreme Court:

> The Court's function of serving the interests of the dominant economic forms is all the more important in a formally democratic state. The growth of political democracy has empowered many non-ruling class elements, while petty bourgeois and reactionary groups continue to flourish.[15]

Thus the law must be seen as a means of resolving disputes not only within the ruling class, formerly its most important role other than its "law and order" function, but also between the ruling class and other classes in order to ensure that some institutionalized system of conflict resolution exists. To understand the role of the law in modern capitalism, Klare argues, demands that:

> The initial theoretical operation is to free the Marxist theory of law from its determinist integument -- i.e., the notion that law is a mere instrument of class power — and to conceive the legal process as, at least in part, a manner in which class relationships are created and articulated, that is, to view law-making as a form of praxis.[16]

This view is echoed by Fraser, who states that as opposed to seeing the law as essentially an instrument of the dominant class, the law "must be a central category in any theory of sociality within advanced capitalist societies."[17]

What then were the particular class forces in conflict in the B.C. Electric case and what observations can be made about its outcome in terms of the articulation of class relationships? Clearly the case presented a particular challenge to the court. Aligned on one side were the government, with its petty bourgeoisie base of support, and its bourgeois backers, the regional, national and international resource extraction firms that had come to depend on and trust Social Credit policies to ensure their profitability. On the other side were that fraction of B.C.'s regional bourgeoisie not involved in resource extraction, though dependent upon its success, and national and international financial and investment community members such as the Canadian Power Corporation, Wood Gundy and the British Holt family interests, all with substantial holdings in B.C. Power, anxious to see the principle of fair compensation for expropriation upheld. Also interested, though not so directly affected, were working class-backed social democratic legislators who, while not in favour of the particular strategic goals of the Socred nationalization, were certainly concerned with the results and that the methods used remained viable to implement their own programs.

It would, however, be a mistake to view the court battle as an upscale version of a tag team class wrestling match. For example, though it was in their interests to see the Social Credit nationalization and its interlinked economic development program go ahead, resource capitalists could hardly be thought to favour the state gaining the right to expropriate without adequate compensation, especially with the possibility of an NDP government always in sight. Further, the interests of the two fractions of the bourgeoisie could not be easily separated. With interlocking boards of directors and common financial and investment concerns it was hardly as if clear boundaries could be drawn between the resource companies and those investing in B.C. Power. Finally, the B.C. Power interests were not out to cause divisions in the bourgeois unity that marked B.C. Rather, they simply demanded generous compensation for being sacrificed to the provincial state.

Ultimately then, the task of the Supreme Court was to take into account the many disparate factors and fashion a decision which, while perhaps not Solomon-like, would in fact satisfy the aggrieved parties, uphold the viability of the judicial system as the conflict resolution institution within capitalist society and at the same time give articulation to the development of new class relationships, in this case amounting to both an admonishment to the petty bourgeois government and a recognition of its right to govern with relative autonomy within the restrictions established by capitalism.

Chief Justice Sherwood Lett

> The spirit of the age, as it is revealed to each of us, is too often the spirit of the group to which the accidents of birth or education or occupation or fellowship have given us a place.
>
> -- Justice Cardozo[18]

Although it is of critical importance not to focus single-mindedly on any one individual when attempting to evaluate the class forces at work in the case of B.C. Electric, it would also be foolish not to see in Chief Justice Sherwood Lett an example of the type of person chosen by the state to occupy the highest positions in the judiciary. Thus it is useful to examine Lett's educational, social and corporate background, not to make the case that he alone could have rendered such a decision but in fact the opposite -- that anyone of this class in his position would have been of the same purpose.

Born in 1895 in Ontario, Lett received his post-secondary education at the University of B.C. and Trinity College in Oxford. He returned to Vancouver as a barrister and solicitor for the firm of Davis, Hossie and Lett, after serving in Europe from 1914 to 1919. His lifelong connection with UBC resumed upon being elected first president of the alumni association, followed by a seat on the university senate from 1923 to 1950, a five-year term on the board of governors from 1935 to 1939 and an appointment as UBC Chancellor from 1951 to 1957.

Lett's legal career, during which he specialized in corporation and tax law, included election as president of the Vancouver Bar Association and a bencher of the B.C. Law Society. He was appointed Chief Justice of the B.C. Supreme Court in 1955 and Chief Justice of the B.C. Court of Appeal in 1963. Serving again in the Second World War, Lett commanded the South Saskatchewan Regiment and later the 4th Canadian Infantry Brigade. He was wounded in the Dieppe raid in 1942 and again in the Normandy invasion in 1944, receiving several military decorations. In 1954 Brigadeer Lett was named Canadian Commissioner on the Indo-China Truce Supervisory Commission.

Although Lett's field was corporate law he did not sit on a great number of boards of directors, no doubt in part because of the interruption caused by his military service in Europe and later Vietnam before his judicial appointment. Nonetheless he did serve as a director of the Excelsior Life Assurance Co. and the Pacific Coast Fire Insurance Co. and as chairman of the Vancouver Advisory Board of the Toronto General Trusts Corporation, as well as doing legal work for the Trans Mountain Pipeline group. Lett maintained memberships in the Vancouver Club, the Union Club of Victoria, the University Club, the Canadian Club and the Vancouver Lawn Tennis and Badminton Club.

Socially an examination of Lett's personal correspondence shows his friendship with many of B.C.'s and Canada's most prominent capitalists and politicians, including Louis St. Laurent, Lester Pearson, Ralph Campney, J.S. Deb. Farris, S.S. McKeen, James Sinclair, John Turner, J.V. Clyne, Austin C. Taylor, Angelo Branca, Stuart Keate, J.L. Trumbell, Walter and Leon Koerner, W.C. Woodward, Harold Foley, Leon Ladner, Victor Odlum, Robert Bonner and B.C. Power chief Dal Grauer.

While again emphasizing the caution which must be used when examining personal backgrounds and relationships, it is of some interest to look further at the link between Sherwood Lett and Dal Grauer. It was to Lett that Grauer was assigned as an articling law student in 1927 at Davis, Hossie and Lett. It was Grauer who followed Lett into the UBC Chancellorship in 1957. Both men lauded each other's talents in private and public. Grauer, with an irony he could not have known at the time of writing, told Lett upon his appointment as Chief Justice that, "This calibre of appointment restores one's faith in governments!"[19] Lett later returned the compliment, describing Grauer's leadership of B.C. Electric as "brilliant" when, again ironically, as Chief Justice he publicly toasted the corporate success of the BCE at the opening of its new head office building in 1957.[20]

It would, of course, be conspiratorial to suggest that given the strong connection between Lett and Grauer it was inevitable that the upstart B.C. government would be judicially thwarted in its attempt to take over Grauer's company. Such a conclusion would make for a good story but hardly an effective analysis of the situation. Rather, it is important to see in Lett's friendship with

Grauer and other prominent B.C. capitalists and in his acquaintance with key Social Credit backers and politicians such as J.V. Clyne, Austin Taylor and Robert Bonner that the Chief Justice was admirably suited for the role of ultimate arbitrator in the dispute. Lett understood the aims, interests and alliances on both sides of the case and through his knowledge of the various social forces at work was able to fashion a resolution that was balanced enough to satisfy both and maintain stability in the system.

The Decision

> It is certainly no part of the duty of this court to question or entertain complaints as to the fairness or the wisdom of legislative action or policy, nor to inquire into its motives.[21]

The climax of an exhausting trial that ran 144 days, cost taxpayers $1 million, and saw 10,500 typed pages of evidence pass through the court came on July 29, 1963 when Chief Justice Lett brought down a 398-page judgement finding that the B.C. government takeover legislation and subsequent amendments establishing the B.C. Hydro and Power Authority were ultra vires, beyond the jurisdication of the province.

The statement of claim filed by B.C. Power to the Supreme Court sought the declaration of ultra vires on three separate grounds: firstly, that the provincial government had overstepped its jurisdiction by introducing legislation improperly affecting the rights of a Dominion corporation (B.C. Power); secondly, that even if the 1961 takeover act were intra vires, no provision had been made for judicial determination or compensation for the shares acquired from the plaintiff and therefore B.C. Power had been deprived of the "right to property other than by due process of law," and therefore the act was invalid; and finally, that the takeover act was part of a plan by the B.C. government to frustrate the operation of the Columbia River Treaty by forcing B.C. Electric to take power from the Peace

River and not the Columbia, which again would constitute improper provincial interference in an area of federal jurisdiction.[22]

In making what proved to be a highly controversial decision to legal observers, Chief Justice Lett agreed with B.C. Power's first claim, which negated the grounds for the second, while dismissing the third. Although it is neither possible nor necessary to deal here with the details of the decision or the cases cited as precedents, it is useful to examine briefly the gist of Lett's arguments and consider their implications in terms of the analytical structure previous discussed.

The most important and legally noteworthy finding by Lett was that the property rights of B.C. Power as a Dominion company were violated by the legislation. The summary of that finding is worth repeating:

> Held, the provincial enactments were ultra vires since in a practical business sense they made it impossible for B.C. Power to exercise its powers and hence its functions and activities were sterilized or its status and essential capacities were impaired in a substantial degree. In making this assessment, it must be done in the context of accepting that if British Columbia may so expropriate personal property of a Dominion company as in effect to prevent it from carrying on business in the Province then every other Province must have the same jurisdiction. In the result, the Dominion company would be unable to carry on its business anywhere in Canada. Hence, the provincial legislation here was in a practical business sense prohibitive, sterilizing the functions and activities of the Dominion company.[23]

The implications of this aspect of the decision are to put nearly impossible restrictions on provinces' ability to expropriate any federally incorporated companies. Strayer argues that this ruling represents a surprising victory of the federal power of incorporation of companies over the provincial power with respect to property in the province:

> The provincial power is express; the Dominion power is only implied in the residual clause. In our constitutional jurisprudence, only rarely have residual Dominion powers been allowed to override express provincial powers.[24]

Gibson points out that Lett's finding leaves little room for provincial expropriation:

> Should the inability of a federal company "in a practical business sense", to find a new activity in the province to replace one that has been expropriated, properly constitute impairment of its "status and essential capacities"? If so, no federal company doing business in a field where there is little room for further competition (which is the case with most major utilities) need fear provincial expropriation, so long as its activities are substantially restricted to that business.[25]

Lett further restricts the ability of a province to affect federal companies in his ruling that the B.C. acts were not laws of general application, applying as they do mainly to a single Dominion corporation, and thus the legislature,

> was not exercising an authority clearly given to it by s. 92, either under s. 92(11) or otherwise, but made it impossible for the Dominion company in a practical business sense to exercise its powers, given under Dominion legislation, and thereby sterilized it in all the functions and activities carried on by it in the Province, impairing in a substantial degree its status and essential capacities. The legislation was consequently ultra vires ...[26]

Again, the result of this finding would limit the rights of provinces to expropriate federally chartered firms, as Gibson notes:

> ... from the provincial point of view, his decision constitutes a dangerous precedent ... his method of determining that the Act was not one of general application would, if followed, virtually eliminate the possibility of provincial expropriation of specific property owned by a federal company except, perhaps, under the terms of a general provincial expropriation Act.[27]

Lett also found that the B.C. Hydro and Power Authority Act was ultra vires because B.C. Electric had interprovincial and international electricity and bus operations, and therefore:

> It is beyond the legislative authority of a Province to take over the undertaking of a provincially incorporated company (B.C. Electric) when such undertaking extends beyond the limits of the Province and is thus excluded from provincial legislative authority by s. 92(10)(a) of the B.N.A. Act.[28]

Yule says on this point that B.C. Electric's international and interprovincial operations were extremely small (the bus business producing a gross revenue of less than $13,000 in 1960-1961), but found by Lett to be sufficient for such a ruling:

> If ... these items present a clear case of a $191 million undertaking being international so as to attract federal regulatory jurisdiction, then the business must be miniscule or localized indeed which would not also qualify.[29]

The effect of this finding further offers a considerable restriction on the ability of a province to nationalize any firm which could, through an insignificant international or interprovincial business connection, claim to be exempt from provincial jurisdiction by way of s. 92(10)(a).

On the treaty issue Lett found that B.C. Power had not been able to establish its claim and dismissed it on the grounds: that it was no part of the court's duty to inquire into or find motives for the provincial government's legislation, which would be necesary to prove it was an attempt to frustrate the treaty; that the evidence which was admitted failed to prove such a claim; and that the distribution of power between the federal and provincial governments is not affected by treaties the dominion enters into.[30]

Finally, in addressing the prayers for relief, Lett granted the overall declaration that all three acts, the original 1961 takeover bill, an amending act and the authority act, were ultra vires, but denied a second prayer requesting the return to the Electric Company all its property, rights and interests as would be necessary to re-establish the firm. The Chief Justice argued that B.C. Power had not convinced him it had the status to advance such a claim on behalf of BCE nor that such direction beyond what was implicit in his findings was necessary. In dismissing the claim he simply left it to B.C. Power or BCE to initiate further legal proceedings as they might see fit to reach such an order.[31]

Implications of the Ruling

As has been previously noted, the ruling of Chief Justice Lett was a highly debatable and controversial one in the opinion of many legal experts. In law journal articles Lett's decision has been examined and the specific findings he made seriously questioned. The difficulty facing legal scholars in producing a definitive appraisal of Lett's ruling is, however, more or less insurmountable because his decision was not appealed to the Supreme Court of Canada, where the arguments he made would have been debated and analysed and a firm precedent set.

What is of concern here though is the political import of the decision, not the legal controversy. The analysis offered by several different legal experts, and the unequivocal language of the ruling itself, makes it clear that Lett's decision was a crippling blow to the rights of provinces to expropriate the property (BCE in this case) of federally incorporated enterprises. Because of the wide grounds used to decide that the B.C. legislation was ultra vires, the ruling in effect eliminated forced nationalization as a potential strategy for the provincial state. Any federally chartered firm could use the Lett decision to fight expropriation successfully. Although in subsequent years the importance of the Lett ruling waned and provincial nationalizations did indeed take place, the immediate effects it had were of great importance in the B.C. Power situation.

Faced with a highly damaging decision that could have seen B.C. Electric revert back to B.C. Power and an end come to the Peace River project, Bennett initially blustered that he would take the case to the Supreme Court, but then settled on a risky strategy. On August 6 it was announced during an attempt to obtain a stay of proceedings on the BCE ruling that the government was willing to negotiate a new deal with B.C. Power. Bennett followed that up on August 22 by calling a provincial election for September 30.

Following the Lett decision it can be seen, in B.C. Power's moves to reassert its authority and in Social Credit's election call, that the class forces involved were strengthening their positions in preparation for a final resolution. The court decision was a warning to Social Credit that even though they had been given the reins of power there were significant limitations, one of the most crucial being to respect the rights of property. It was also a reminder of the underlying federal power that serves as the final protector of capitalist property rights, both in the ruling that provinces could not interfere in the operations of federally chartered firms and in the knowledge that any appeal would have to be heard by the federal Supreme Court. On the Social Credit side, the election call was similar to a poker bluff, with the government knowing that if it won a strong mandate it could drive a very hard bargain in settling the dispute. Further, an electoral victory after the adverse B.C. Supreme Court ruling would mean increased legitimacy for the government at the expense of the judiciary.

Again, it would be inaccurate to paint the situation as solely one in which a battle would be fought with one side winning, if indeed sides could even be recognized. Rather, as has been discussed previously, the reality was that a meaningful new articulation of class relationships was being established. B.C.'s rising petty bourgeoisie was flexing its muscles and moving to capture a position of new importance in the B.C. class structure. In response the judiciary, reflecting the interests of the dominant ruling class, made clear the limitations on how much relative autonomy the provincial state -- the vehicle for the petty bourgeoisie — was going to be able to take and where the boundaries would be drawn. For resource capital playing the provincial state off against investment capital increased its own opportunities without seriously threatening the overall status quo.

Ultimately all involved knew that no gains would be made by anyone through a protracted legal/electoral dispute. Neither the rights of property nor those of the state were going to be usurped. Further, the government knew that while it could attempt to enlarge the scope of its relative autonomy through such actions and to solidify the class position of the petty bourgeoisie, it could not challenge the basic precepts of the system.

Having put forward the strongest positions possible all that remained was a settlement. On Sept. 6 Attorney-General Robert Bonner proposed to B.C. Power that Chief Justice Leff determine a price for B.C. Electric somewhere within an agreed upon bargaining range and that both sides agree to his final estimation.[32] On Sept. 27, just three days before the provincial election, Lett told both parties that $197 million was a fair price and the lengthy dispute was over.[33]* The timing and cost of the agreement met with predictably cynical comment. Said former Justice A.M. Manson, once the Liberal Attorney-General: "The settlement was a conspiracy. B.C. Power Corporation wanted money; the government wanted settlement before the election. They have conspired together to do it this way."[34]

Although terming it a conspiracy does make the Lett settlement seem more an exotic aberration, realistically it should be seen as an important example of the functioning of judicial relative autonomy and how it relates to the relative autonomy of the state. Lett's legal decision was clearly unfavourable to the government yet the final result left all the various class interests satisfied, though not triumphant. His direct involvement in the resolution of the case after the decision was rendered should not be overlooked, as it even more graphically illustrates the role of the judiciary as an arbitrator in class conflicts, maintaining the overall position of the dominant class in society but recognizing when necessary the strength of other class forces.

* B.C. Power had first been offered $111 million by the government for B.C. Electric under the terms of Bill 5, the takeover act introduced in 1961. Under Bill 85, introduced in 1962 to amend Bill 5, B.C. Power was to be given a fixed and final price of $171,700,000 for B.C. Electric.

CHAPTER IV

FOOTNOTES

[1] Miliband, The State in Capitalist Society, p. 126, n. 1.

[2] Joan Roelofs, "The Warren Court and Corporate Capitalism", Telos, 39 (Spring 1979), 94.

[3] Karl Klare, "Law-Making as Praxis", Telos, 40 (Summer 1979), 124, n. 4. Klare discusses briefly some reasons for the lack of development of a Marxist legal culture, including the lack of time for radical lawyers to work on theoretical rather than practical matters and the lack of importance placed on the law by orthodox Marxism.

[4] John Porter, The Vertical Mosaic (Toronto: University of Toronto Press, 1965), p. 608.

[5] Ibid., p. 607.

[6] M. Debicki, "Courts", The Provincial Political Systems, ed. David Bellamy, Jon Pammett, Donald Rowat (Toronto: Methuen Publications, 1976), p. 369.

[7] Marx and Engels, p. 337.

[8] Andrew Fraser, "The Legal Theory We Need Now', Socialist Review, 8 (July-October 1978), 152.

[9] Miliband, The State In Capitalist Society, p. 126.

[10] Ibid., pp. 125-126.

[11] Ibid., p. 130.

[12] Mark Tushnet, "AMarxist Analysis of American Law", Marxist Perspectives. (Spring 1978) 96.

[13] Fraser, p. 182.

[14] Charles Montesquieu, The Spirit of Laws (London: Deighton and Sons, 1823) I, 153.

[15] Roelofs, p. 96.

[16] Klare, p. 128.

[17] Fraser, p. 148.

[18] Miliband, The State In Capitalist Society, p. 126.

[19] Dal Grauer, letter to Sherwood Lett, 13 July 1955, Sherwood Lett Papers, Vancouver City Archives.

[20] Sherwood Lett, written notes for a toast, 28 March 1957, Sherwood Lett Papers.

[21] British Columbia Power Corporation Limited v. Attorney-General of British Columbia et al., (1965), 47 D.L.R. 671 (B.C.S.C.).

[22] Ibid., 648-649.

[23] Ibid., 634.

[24] B.L. Strayer, "Constitutional Aspects of Nationalization of Industry", Canadian Bar Journal 7 (1964), p. 233.

[25] R.D. Gibson, "The B.C. Power Case: New Restrictions on Provincial Control Over Federal Companies", Manitoba Law School Journal, 1 (1963), p. 165.

[26] (1965) 47 D.L.R., p. 635.

[27] Gibson, p. 161.

[28] (1965) 47 D.L.R., p. 636.

[29] K.J. Yule, "Constitutional Aspects of the B.C. Power Expropriation Case", University of Toronto Faculty of Law Review, 22 (1964), p. 20.

[30] (1965) 47 D.L.R., pp. 740-741.

[31] Ibid., p. 741.

[32] Sherman, p. 271.

[33] Ibid., p. 276.

[34] Ibid., p. 277.

CHAPTER V

CONCLUSIONS

> ... indeed it is often the most capitalist-oriented politicians who see most clearly how essential that structure of intervention has become to the maintenance of capitalism.[1]

In drawing some conclusions about the nationalization of British Columbia Electric and the exercise of relative autonomy by the provincial state it is necessary to reexamine the concept of state autonomy in a Marxist framework before making a final analysis of its utility in the BCE case. Distinctions must be drawn, in so doing, between the "absolute autonomy" of the state claimed by institutional pluralists, the instrumentalist view of the state espoused by orthodox Marxists and the developing neo-Marxist theory of the state that revolves around relative autonomy.

The difficulty inherent in building a theory of relative autonomy is obvious right from the start because of the need to give adequate definition to a term as nebulous as "relative." If agreed on nothing else, orthodox Marxists and liberal social scientists can both seize on the use of "relative" in describing a degree of state autonomy to attack the neo-Marxist position as ambiguous and ill-defined. There is admittedly great theoretical danger present when terms cannot be given meaningful definition, and puzzling out a satisfactory explanation of the term relative is indeed a central goal of the theory. Yet the apparent weakness in the term relative is also its greatest strength, for it illustrates the complexity inherent in the state, a complexity which defies the simplistic descriptions of instrumentalists and enables the ruling class to maintain its dominant role in society, an analysis denied by the pluralists. It is in studying what circumstances and social conditions increase or decrease the state's degree of relative autonomy that a useful understanding of the state will be developed, a framework which provides a general theory that can then be applied to specific situations.

To restate the position taken here on relative autonomy, then, is to argue that there exists in society a ruling class, not of strictly homogeneous composition but consisting of various class fractions with united long term goals and occasional short term differences, which maintains its dominant position through the actions of the state. Despite its function in maintaining ruling class power, however, the state possesses a variable degree of autonomy from the ruling class, the extent of which is determined by specific economic, political and social circumstances in society. This relative autonomy is necessary to ensure that the state is able to take actions that will serve the long term needs of the ruling class, including implementing measures which, while not in the short term interests of the bourgeoisie or some fractions of it, are necessary concessions to preclude other classes from taking actions that might threaten the stability or even existence of the system or to provide for the overall development of the system.

Further, while the status of the ruling class is not open to challenge under this system, it is possible for non-ruling class forces to make gains through the intervention of the state. The success or failure of other classes to obtain concessions from the bourgeoisie is dependent upon the strength of their position. Attempts to win concessions will clearly be strongest when the various non-ruling class forces are united and/or have gained support from a class fraction or fractions of the bourgeoisie. So long as attempts to make gains are contained in the liberal democratic system of advanced capitalism, rather than through revolutionary means, the system will remain intact but it must be noted that the concessions possible on social, economic and political issues are not insignificant.

The actual case of the nationalization of B.C. Electric by the Social Credit government is one that puts to a test an admittedly rough framework. As has been discussed throughout this thesis, the nationalization provides a demonstrative example of the state's relative autonomy being exercised in a dynamic situation. The events have been discussed in detail previously but bear a brief repetition here.

The B.C. government, facing a resource industry recession of some proportions in the late 1950s that reduced employment, government revenues and social services, sought to revitalize the provincial economy with a new economic development strategy designed to open up untapped areas for resource exploitation. Its plan of action, initially supported by B.C. Electric, was to develop the Peace River's hydroelectric potential, in addition to the power project going ahead on the Columbia River. However, when B.C. Electric, with its near monopoly on the distribution of energy in the province, declined to further participate in the Peace project, on sound economic grounds, the government saw that to continue its economic development strategy it would have to nationalize B.C. Electric.

To that end it mobilized its own class support -- the petty bourgeoisie, nascent regional bourgeoisie, unorganized working class and others -- and, through its plans to open up the Peace for resource exploitation, gained the support of local, national and international resource capital for the takeover. In addition, the government had the support, in a more limited way, of the organized working class. This particular configuration of class forces marshalled by premier Bennett was strong enough to guarantee the success of the B.C. Electric takeover and the new development strategy in the face of opposition from investment capital, again local, national and international. However the federal state, through the judiciary, made clear the limits on the provincial state's autonomy when the legislation enacted was declared ultra vires, thus protecting the property rights of investment capital. The class force aligned with the provincial government, then, were ultimately successful in achieving their goals but investment capital, whose economic vehicle was sacrificed for the benefit of stronger class interests, was adequately compensated for its loss. The system proved its utility once again and remained unshaken by the exercise.

It can be noted in this example that the relative autonomy exercised by the provincial state was dependent upon the particular circumstances surrounding the nationalization and the class forces involved. The perceived need for a rapid stimulus to the provincial economy, the enormous power of resource capital in a resource-based economy, the unusual degree of unity between different classes and class fractions in pursuing a common goal and the isolation and comparative lack of power of investment capital all combined to allow the provincial state to exercise a significant amount of relative autonomy. It must also be seen that the skilful manipulation and understanding of the forces involved and the situation at hand by the provincial government played a major role in ensuring the success of the project.

The province-building aspects of the nationalization and its consequences are of further interest. As has been previously discussed, the relative autonomy of the provincial state from the ruling class in this case is echoed by the autonomy it exercised from the federal state. By gaining the support of Canadian and foreign, particularly American, resource capital and by using the desire of the U.S. federal government for the export of cheap power, the provincial state was able to thwart the goals of the federal state and force it to acquiesce to the province's economic development plan despite considerable opposition. While the federally-appointed judiciary was able to protect the property rights of investment capital, the federal state was not able to challenge the aims of the class forces behind the takeover.

In building the province through the takeover of B.C. Electric and the development of the Peace River region for resource exploitation, it must be noted that the B.C. government was taking a radically different route from the economic development strategies that led Ontario and Quebec to pursue public ownership of electricity, and from the actions of Alberta and Saskatchewan in attempting to increase the economic rent from staple resources being exported from their boundaries and in developing industrial linkages from those enterprises. Jorge

Niosi has succinctly described the impetus behind public power in Ontario and Quebec:

> Both in Ontario and in Quebec, the move to public ownership of electricity was part of the rise and consolidation of a regional bourgeoisie, in opposition to large-scale Canadian and/or American capital.[2]

H.V. Nelles explains further that in Ontario it was the growing industrial bourgeoisie that led the movement for public power, seeing in it the chance to develop large manufacturing enterprises:

> The thought of boundless, cheap hydro-electricity inspired these men of property and industry with evangelical zeal ... By the phrase "the people's power," the businessmen meant cheap electricity for the manufacturer ... [3]

In British Columbia, however, this situation was reversed. The only sector of the regional bourgeoisie espousing the advantages of cheap, plentiful hydroelectricity for industrial development were the owners and managers of B.C. Electric, led by Dal Grauer.[4] No nascent industrial bourgeoisie existed in the province. Further, the move to nationalization gained the support of large-scale Canadian and American capitalists in the resource sector, who worked with the regional resource bourgeoisie in a wholeheartedly continentalist plan for economic development, a complete reversal of the Ontario/Quebec case.

Similarly, large differences can be seen in the province-building strategies of Alberta and Saskatchewan when compared to that of B.C. Pratt and Richards argue that the "economic provincialism"[5] of those provinces has, through the use of an interventionist state, built up the provinces and their indigenous elites while reducing the influence of foreign resource capital.

> Our studies suggest that under certain conditions the power of international capital can be substantially reduced and the original dependence relationship reversed.[6]

In Alberta in particular the new bourgeoisie,

> ... has not only learned to use the provincial government to capture resource rents and bargain for linked industrial

> developments, but it is also developing the capacity to compete successfully with major foreign resource companies for large-scale private resource projects.[7]

In B.C., again, the contrast could scarcely be sharper. Rather than reduce the power of and dependency on international capital, the Bennett government did the opposite, putting the province further in hock to the foreign resource capitalists and eliminating the one sector of capital that was at all industrially-minded and majority-owned by Canadians, with substantial B.C. investment. Instead of striking a hard bargain for its hydroelectric power the government sold it to the U.S. in a deal that has been described as "an unparallelled squandering of Canadian resources,"[8] and a "giveaway."[9]

It would, however, be a mistake not to see the similarities in each province developing its own province-building strategy, no matter how divergent the actual strategies or their results were. Clearly in B.C., Alberta and Saskatchewan an interventionist provincial state increased its relative autonomy through the development of coherent economic strategies for resource exploitation that gained the backing of significant class forces. Each made effective use of populist politics in presenting and executing its development plans. These strategies have all led to conflicts with the federal state, with varying results, but each state has been strengthened through the process. It could be argued that the theoretical framework on relative autonomy previously outlined is applicable in both Alberta and Saskatchewan, with the particular approaches and outcomes determined by the different circumstances and alignment of class forces.

There is further importance to the provincial takeover of B.C. Electric than has been possible to discuss here. Although the immediate purpose of the expropriation was to allow the Peace River project to go ahead, in the long term the establishment of a public utility monopoly on electrical production and distribution significantly increased the power of the state, in particular to influence the economic development of the province. With its control of electrical power the government attained the potential to use that resource as a lever to encourage investment in resource extraction industries that require large amounts of energy, although the actual use of that lever is a topic for future discussion. What is clear is that B.C. Hydro, as it soon became known, took its place as an integral actor in B.C.'s capitalist economic development, albeit under government control. This new role for the provincial state was an important indication of the increasing need for the state to act as capitalist, and a sign of the maturing of the B.C. economy.

Another question of some import, particularly given the work done by Pratt and Richards, is if, or to what extent, staples theory can be applied to hydroelectricity in B.C. Several points can be made in this regard, although it is a subject worthy of more examination elsewhere. Firstly, it can be seen that through the nationalization the provincial state gained a near monopoly on energy production and marketing. This would indicate substantial, if not complete, control by the province of an abundant and valuable staple. However, two important exceptions immediately present themselves. Both the Cominco and Alcan smelters, two of the largest users of energy and biggest industrial plants in the province, maintain their own private sources of hydroelectricity, free of government control. Further, the longterm contracts signed by B.C. to sell its downstream Columbia benefits to the U.S. have left little room for bargaining over the resource as market conditions change. Thus while the oil crisis in 1973 left Alberta in a beneficial position to increase its resource rent revenues, B.C. has been locked into prices and volumes that are unaffected by energy market forces.

The development of "backward" and "forward" linkages to resources is another key aspect of staples theory. The Alberta government under Peter Lougheed has been pursuing a strategy of developing petrochemical industries through linkages with the oil and gas industry. The results of this effort are at best unclear; Ed Shaffer argues that rather than fostering manufacturing the Alberta strategy has left the province "more locked into oil that ever before."[10] In Saskatchewan it seems potash lends itself to the development of industrial linkages even less than oil and gas. Thus the Prairie provinces' attempts to escape the "staples trap" through linkages may not end with satisfactory results.

Is there any evidence that B.C. attempted, through its control of hydroelectricity, to develop linkages that would have diversified its economy? While certain industries, such as pulp and paper, require cheap, plentiful supplies of energy they flourished in B.C. long before the nationalization and in any event remain more correctly classified as part of the staple trade, not as new industrial linkages. Despite gaining control of hydroelectricity B.C. continued to rely on its traditional enterprises without moving to develop new industries. Would attempts to establish linkages through hydroelectricity have been successful? The capitalists of B.C. Electric, if Dal Grauer's statements are any reflection, seemed to believe B.C.'s future lay in industrial development fed by cheap power, following the example of the U.S. Pacific Northwest. Perhaps such a strategy would have allowed B.C. to escape its reliance on the export of a few raw and semi-processed natural resource products but, if the case of Alberta and Saskatchewan is any indication, it would suggest that the viability of developing successful linkages is still in question. In any event it would appear that B.C.'s move to take control of its energy resources did not have the same objectives that government action taken in Alberta and Saskatchewan did.

*   *   *

As has been shown in the preceding chapters, the nationalization of British Columbia Electric provides an interesting case study of the relative autonomy of the state in capitalist society, allowing an examination of the many and complex aspects of a still developing Marxist theory of the state. Although certainly no claims can be made that the many questions posed here have been definitively answered, nor that the specific case of B.C. Electric's nationalization can be used to draw broad generalizations on the concept of the relative autonomy of the state, it is to be hoped that the detailed study of one example of the successful exercise of state autonomy will in some way further the overall development of a comprehensive theory of the state.

Furthermore, if this thesis has added to the general body of knowledge, theoretical and empirical, on the nature of British Columbia's political economy, it will have served a useful function.

CHAPTER V

FOOTNOTES

[1] Miliband, The State In Capitalist Society, p. 66.

[2] Jorge Niosi, Canadian Capitalism (Toronto: James Lorimer & Company, 1981), p. 100.

[3] H.V. Nelles, The Politics of Development (Toronto: Macmillan of Canada, 1974), pp. 248-249.

[4] Grauer, p. 283.

[5] Larry Pratt, "The state and province-building" Alberta's development strategy", The Canadian State, ed. Leo Panitch (Toronto: University of Toronto Press, 1977), p. 157.

[6] Pratt and Richards, p. 11.

[7] Ibid., p. 11.

[8] Philip Sykes, Sellout (Edmonton: Hurtig Publishers, 1973), p. 61.

[9] Larratt Higgins, "The alienation of Canadian resources: the case of the Columbia River Treaty", Close the 49th Parallel Etc., ed. Ian Lumsden (Toronto: University of Toronto Press, 1970), p. 236.

[10] Ed Shaffer, "Oil and Class in Alberta", Canadian Dimension, June 1979, p. 43.

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