AMERICAN MULTINATIONAL CORPORATIONS IN CANADA: UNCHALLENGED AGENTS OF EMPIRE

by

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in the Department of POLITICAL SCIENCE

We accept this thesis as conforming to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA
October, 1971
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Date 7 December, 1971
ABSTRACT

Just recently a new force in world politics, the multinational corporation, has become the focus of widespread interest and concern. Many students of the development and spread of these firms emphasize their actual and potential contribution toward global economic integration. Contingent upon this process, several observers have optimistically forecast the fundamental breakdown of the nation-state system and its replacement by some form of more stable and peaceful world polity. The Canadian case however, does not sustain this optimism.

Among all the nations Canada has been the most consistently liberal host of these firms, providing particular attraction for expansionist American corporations. As a consequence, the country has experienced a new and profound dependence upon the American economy. Directly resultant upon this experience has been the forfeiture of broad areas of Canadian state sovereignty and national independence. But unlike the prophecy, this sacrifice has not been part of a more universal transfer of nation-state prerogatives to the claims of supranational authority. Instead, the forfeiture has been unilateral and horizontal: from the Canadian state to the American state.

Clearly, American multinational corporations have been successful promoters of continental economic integration. No other nation in the developed world shares with Canada the same unique degree of economic subordination. On the other hand, American multinational corporations are demonstrably inadequate institutions for furthering the general erosion of the nation-state system. They are themselves subordinate to and dependent upon the U.S. state. This relationship is made most explicit through American laws of extraterritoriality whereby the U.S. government has reserved the right to dictate trade, anti-trust and
balance of payments policies to the foreign subsidiaries of American firms. The Canadian government has become acutely aware of this relationship on several occasions, most notably over the 'Time and Reader's Digest Affair' and the 'American Guidelines Issue'. Of even graver import, these occasions demonstrated the ease with which American economic controls in one area could be converted into substantial political leverage in entirely unrelated areas of Canadian policy formation.

In each instance where the U.S. government has employed its authority over American multinational corporations to sway Canadian government policy, the Canadian government has eventually acquiesced. Ironically, Canadian government elites have proven themselves unwilling to respond to this challenge at its source. Instead of attempting to regulate or discourage American multinational corporations in Canada, they have co-operated actively in their promotion.

To understand the paradoxical behavior of Canadian governments in aiding the demise of their own powers and the Canadian state, the career patterns of certain influential political and bureaucratic elites were investigated. This research uncovered the existence of a long-standing hybrid elite composed of Canadian governmental decision-makers who have been strongly identified with corporations committed to a continental economy. The economic interests which inhere to these corporate government linkages have been complemented and given normative justification by a business ethos prevalent in Canadian society. Together they provide a motivating rationale for Canadian government elites in co-operating with multinational corporations and, in effect, in undermining the sovereignty and independence of the Canadian nation-state.
ACKNOWLEDGMENTS

For extreme patience in waiting for the completion of this thesis and for numerous helpful criticisms and comments, I wish to thank Professors Walter D. Young and Mark W. Zacher of the Department of Political Science at the University of British Columbia.

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XII Gains in Corporate Affiliations after Civil Service Experience p. 103
The point at issue is simply whose hand is on the lever. A.B. Rotstein

It is an historical hallmark that the growth and character of the Canadian economy has been moulded, to a large extent, by external pressures and conditions. Until recently this lack of economic integrity was manifested chiefly in the absence of a highly diversified, self-sustaining domestic economy and the existence of tightly woven external bonds of an explicitly colonial nature. As both cause and consequence the Canadian economy throughout much of its history, has been a dependent adjunct of more powerful and highly integrated economic systems. Today the Canadian economy can no longer be accurately characterized by the two principal manifestations mentioned. Yet the fact of subordination still obtains as a basic and continuing feature. The purpose of this chapter is to briefly explore the causes of continuity in this condition as a prelude to analysis of the concomitant political ramifications of Canadian economic dependence.

In historical retrospect, it is apparent that Canadian economy has been situated within two different kinds of contexts each of which gave rise to separate patterns of dependence. The first pattern can best be understood within the broad framework of classic mercantilist colonialism(1) and covers the age of French and British hegemony. The latter embodies a qualitatively different set of economic relationships superimposed upon those of the first and is distinguished by the coming in force of American equity capital to Canada. The juncture between the two patterns is obscured by a transition period from 1867 to World War I during which Canada enjoyed the political status of a nation-state, but still retained many economic ties with Britain which had been
carried over from the colonial framework. As will be seen, while World War I signified the beginning of the new pattern of economic dependence it was not until after World War II that this became clearly visible.

Canada's colonial experience was a product of both French and British imperialism. Close conjunction between imperial political authority and economic interest was axiomatic. From a colony chartered to commercial interests in Rouen by Henry IV, New France became the monopoly of a succession of French fur profiteers. Later, inspired by the vision of Colbert and the talent of Talon the country became a royal province of Louis XIV. But trade continued to form the basic rationale behind the imperial design(2): in addition to serving as an outlet for French finished goods, the St. Lawrence Valley fed French demand for foodstuffs and furs. Fish from the banks of Newfoundland and Acadia were also an important part of this design.

In 1760 the French regime succumbed to the military and demographic superiority of Britain and her colonies. British power replaced New France and the other French possessions with a series of British colonies and territories, the latter of which were extended as a preserve of the Hudson's Bay Company.(3) The mercantilist premises of empire were retained in other respects as well. Canadian economic growth continued to be dominated by the fate of a small number of staple exports. These comprised the leading sector of the economy with domestic economic activity and capital formation serving derivative roles.(4) As before, Canada also served as a small but expanding market for the finished goods of the mother country and a profitable outlet for surplus capital. Capital flows were themselves subject to the determining influence of trade. This was true not only in terms of the volume of capital flows but of their composition. Profits generated
by the exploitation of Canadian raw materials together with surpluses from trading interests elsewhere in the empire, contributed both to the supply of available capital and to specific kinds of demands for its use. In order to facilitate access to, and transportation of, Canadian staples, there was a need to create an infrastructure of roads, canals and railways. (5) Social overhead capital of this type, being a 'public good' which cannot usually be shouldered alone by private interests, local and imperial governments took the initiative in most cases and funded the projects by floating bonds. By far the largest part of the foreign capital which was invested in Canada was of this kind, i.e., loan or portfolio capital. The distinctive feature of portfolio investment is that while it commands a return stream of debt payments or interest, it does not normally involve control of the physical results of the investment. Foreign investment which does render control of the assets to the investor, i.e., direct or equity investment, was negligible in Canada throughout the period of British rule. Direct investment required for private exploitation of Canadian raw materials - primarily fish, fur and timber during this period - was restricted principally to meeting working capital requirements in the form of inventories, wages and a minimum of physical capital. (6) Moreover, since France and more particularly Britain, benefitted from the Canadian market for secondary products and since there were few customs and tariff barriers within the mercantilist structure, little incentive existed for setting up separate production facilities for these products in Canada.

The dependence of the Canadian economy within the classic mercantilist colonial framework is not difficult to understand. The growth and character of the Canadian economy were dominated by the interplay between natural resources and the needs of empire. Within
this framework there was little stimulus to diversification or
indigenously-motivated economic activity. Indeed, these were contrary
to the mercantilist logic. But by the close of the nineteenth century
new forces were at work. As will be seen, these forces would eventually
superimpose a new set of more complex dependencies and render the old
pattern of dependence obsolete.

During the last years of the Victorian era, the Canadian
economy began almost imperceptibly to shift on its axis away from its
British orientation and toward the United States. The gradual growth
of industrial and service sectors around the staples base marked the
beginnings of a more diversified economy and the attenuation of strictures
inherent to dependence up the traditional channels of trade. It is
true that old staples were supplanted by new ones - wheat, pulp and
paper, and metals - and that Canada still relied heavily upon both
British demand and supply markets and upon British portfolio capital.
But while the staple exports retained much of their former potency,
they were responding to a broader set of demands, both British and
American. Moreover, as Table I shows, the United States had replaced
Britain as the chief source of Canadian imports.
TABLE I

PERCENTAGES OF CANADIAN IMPORTS FROM U.K. AND U.S. (8)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>1886</td>
<td>41%</td>
<td>45%</td>
</tr>
<tr>
<td>1896</td>
<td>31%</td>
<td>51%</td>
</tr>
<tr>
<td>1911</td>
<td>24%</td>
<td>61%</td>
</tr>
<tr>
<td>1926</td>
<td>16%</td>
<td>66%</td>
</tr>
<tr>
<td>1937</td>
<td>18%</td>
<td>61%</td>
</tr>
<tr>
<td>1946</td>
<td>10%</td>
<td>72%</td>
</tr>
<tr>
<td>1954</td>
<td>10%</td>
<td>72%</td>
</tr>
<tr>
<td>1964</td>
<td>8%</td>
<td>71%</td>
</tr>
<tr>
<td>1968</td>
<td>6%</td>
<td>73%</td>
</tr>
</tbody>
</table>

PERCENTAGES OF CANADIAN EXPORTS TO U.K. AND U.S.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>1886</td>
<td>47%</td>
<td>44%</td>
</tr>
<tr>
<td>1896</td>
<td>57%</td>
<td>34%</td>
</tr>
<tr>
<td>1911</td>
<td>48%</td>
<td>38%</td>
</tr>
<tr>
<td>1926</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>1937</td>
<td>38%</td>
<td>36%</td>
</tr>
<tr>
<td>1946</td>
<td>27%</td>
<td>38%</td>
</tr>
<tr>
<td>1954</td>
<td>17%</td>
<td>60%</td>
</tr>
<tr>
<td>1964</td>
<td>13%</td>
<td>59%</td>
</tr>
<tr>
<td>1968</td>
<td>11%</td>
<td>68%</td>
</tr>
</tbody>
</table>

Of greater significance, Canada's absorption of foreign capital derived more and more from the United States and this capital, unlike British capital, was largely in the form of equity investment.
TABLE II

FOREIGN INVESTMENT IN CANADA: THE TRANSITION FROM BRITISH LOAN CAPITAL TO AMERICAN EQUITY CAPITAL (9)
(millions $ Canadian)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.K. DIRECT PORTFOLIO</td>
<td>-</td>
<td>65</td>
<td>200</td>
<td>336</td>
<td>366</td>
<td>335</td>
<td>544</td>
<td>1535</td>
<td>1944</td>
<td>2152</td>
</tr>
<tr>
<td>TOTAL</td>
<td>185</td>
<td>1065</td>
<td>2818</td>
<td>2637</td>
<td>2476</td>
<td>1668</td>
<td>1884</td>
<td>3359</td>
<td>3463</td>
<td>3576</td>
</tr>
<tr>
<td>U.S. DIRECT PORTFOLIO</td>
<td>15</td>
<td>175</td>
<td>520</td>
<td>1403</td>
<td>1881</td>
<td>2428</td>
<td>4532</td>
<td>10549</td>
<td>12901</td>
<td>17000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15</td>
<td>205</td>
<td>835</td>
<td>3196</td>
<td>4151</td>
<td>5157</td>
<td>7998</td>
<td>16718</td>
<td>21443</td>
<td>28030</td>
</tr>
<tr>
<td>OTHER DIRECT PORTFOLIO</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>43</td>
<td>49</td>
<td>63</td>
<td>144</td>
<td>788</td>
<td>1044</td>
<td>1547</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-</td>
<td>35</td>
<td>147</td>
<td>127</td>
<td>237</td>
<td>290</td>
<td>358</td>
<td>1349</td>
<td>1404</td>
<td>1549</td>
</tr>
<tr>
<td>ALL DIRECT PORTFOLIO</td>
<td>15</td>
<td>240</td>
<td>770</td>
<td>1782</td>
<td>2296</td>
<td>2826</td>
<td>5220</td>
<td>12872</td>
<td>15889</td>
<td>20699</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>200</td>
<td>1305</td>
<td>3850</td>
<td>6003</td>
<td>6913</td>
<td>7178</td>
<td>10364</td>
<td>22214</td>
<td>27354</td>
<td>34702</td>
</tr>
<tr>
<td>DIRECT AS OF GRAND TOTAL</td>
<td>7.5</td>
<td>18.5</td>
<td>20.0</td>
<td>30.0</td>
<td>33.5</td>
<td>39.0</td>
<td>50.0</td>
<td>58.0</td>
<td>58.0</td>
<td>59.7</td>
</tr>
<tr>
<td>U.S. AS % OF GRAND TOTAL</td>
<td>7.5</td>
<td>15.5</td>
<td>21.5</td>
<td>53.0</td>
<td>60.0</td>
<td>72.0</td>
<td>77.0</td>
<td>75.0</td>
<td>78.5</td>
<td>81.0</td>
</tr>
<tr>
<td>U.S. DIRECT AS % OF TOTAL DIRECT</td>
<td>100.0</td>
<td>72.9</td>
<td>67.5</td>
<td>78.7</td>
<td>81.9</td>
<td>85.9</td>
<td>86.8</td>
<td>81.9</td>
<td>81.2</td>
<td>82.1</td>
</tr>
</tbody>
</table>

The relegation of Britain to second place as a source of total capital inflows did not occur until after World War I but American equity capital early exceeded British equity capital. In fact, U.S. equity capital had been coming into Canada since before 1840(10), but it was not until after Confederation that large influxes began to occur.

The new American thrust had causes which grew out of both American economic development and the structure of the Canadian economy. In the first instance, the United States had undergone a radical industrial transformation after the Civil War which bred new demands for Canadian resources, new sources of industrial capital and new stimuli to
strengthen market demand for American products. Second, as a combined consequence of high tariffs under Macdonald's National Policy(11) and British preferential trade arrangements with Canada, it became economically rational for American firms to set up separate production facilities, that is, branch plants, in Canada. In doing so, they availed themselves of both the Canadian and British Empire markets. The strength of the Canadian government's own policies in encouraging this phenomenon is attested to by the fact that American equity investment in Canada did not become strongly visible until the high tariff of 1879 was passed.(12) Ironically, this tariff had been explicitly designed to provide an incentive to Canadian entrepreneurship and to protect Canadian 'infant industries' from American competition. Despite its only limited success in these respects, the policy was carried over with minor adjustments by Macdonald's Liberal successors.

U.S. direct investment continued to grow gradually until after World War I. At this point it accelerated rapidly. The dramatic increases coincided with the vacuum left in Canada by a decisively war-weakened Britain. To take up the slack, American portfolio investment also poured into Canada at an entirely unprecedented and even greater rate. For some time this return to an emphasis upon portfolio ventures by American investors disguised the real nature of the transition which was taking place. On the surface it appeared that Britain had merely been replaced by the United States - both as Canada's leading trading partner and as the chief supplier of portfolio capital.

From 1926 to World War II American direct and portfolio investment entered Canada in roughly equal proportions. This in itself represented a significant shift away from portfolio investment in the composition of foreign capital inflows. Nevertheless, it was not until
after World War II that the conclusive nature of this change in composition became manifest: in addition to accelerating rapidly during the post-war years, U.S. capital inflows became decidedly weighted in favour of direct investment. Between 1946 and 1960 some $8,121,000,000 of new U.S. direct investment entered the country compared with $3,430,000,000 of portfolio investment. Since 1960 this differential has closed somewhat although new U.S. direct investment still exceeded new U.S. portfolio investment by a factor of 3:2 between 1960 and 1967. Overall, U.S. portfolio investment in Canada was multiplied four times and direct investment seven times during the years from 1946 to 1967. Moreover, and of paramount importance to any estimate of the amount of U.S. equity capital in Canada, there has been a gradual reduction over time in the amount of new U.S. equity required for the expansion of American corporations in Canada. By 1964, for example, only 5 per cent of the funding of U.S. firms involved in Canadian manufacturing, mining, and petroleum was from outside the country. The remainder, in the form of reinvested profit, depreciation and Canadian funds, came from inside the country. (13) In short, Canadian domestic savings are providing a mainstay of growing American economic power in Canada.

TABLE III

| SOURCES OF FUNDS OF DIRECT U.S. INVESTMENTS IN CANADIAN MANUFACTURING, MINING, AND PETROLEUM (14) |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                               | PERCENTAGE      | AVERAGE         |                 |                 |                 |                 |                 |                 |
| Re-invested profit            | 35   | 32   | 39   | 45   | 41   | 43   | 45   | 49   | 42         |
| Depreciation                  | 26   | 30   | 30   | 35   | 34   | 32   | 33   | 30   | 31         |
| Funds from Canada             | 13   | 14   | 11   | -1   | 12   | 15   | 14   | 17   | 12         |
According to data for 1967, 24 per cent of all U.S. foreign investments and one third of all U.S. direct investments are in Canada. (15) This amounts to more than $28 billions, over 60 per cent of which is direct investment. (16) At least 25 per cent of all Canadian corporate assets are held by foreign controlled companies and of these assets about 81 per cent are in American hands. (17) Foreign control is heavily concentrated in two divisions: in 1967 non-residents controlled 60 per cent of mining assets and 56.7 per cent of all manufacturing assets. Together these divisions form the industrial base of the Canadian economy and comprise about one-third of all corporate assets. (18) Moreover, as Table IV shows, foreign control tends to be even greater within those subdivisions of mining and manufacturing which are generally conceded to be the most dynamic and technologically sophisticated. In the machinery industries, for example, foreign control amounts to 71.9 per cent; in the electrical products industries; 65.7 per cent; and in the chemicals and chemical products industries; 83 per cent. (19)
### TABLE IV

**SELECTED CANADIAN INDUSTRIES WHERE U.S. AND OTHER NON-RESIDENT INTEREST EXCEEDS 50 PER CENT.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Assets ($000,000)</th>
<th>% Non-Res. control</th>
<th>% U.S. control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Mine Industry</td>
<td>1,441.6</td>
<td>86.2</td>
<td>85.8</td>
</tr>
<tr>
<td>Oil and Gas Well Industries</td>
<td>4,505.7</td>
<td>82.6</td>
<td>65</td>
</tr>
<tr>
<td>Total Mineral Fuels Industries</td>
<td>4,606.7</td>
<td>81.7</td>
<td>65.0</td>
</tr>
<tr>
<td>Non Metal Mining Industry</td>
<td>916.7</td>
<td>84.9</td>
<td></td>
</tr>
<tr>
<td>Total Other Mining Industries</td>
<td>2,088.3</td>
<td>50.0</td>
<td></td>
</tr>
<tr>
<td>Total Mining Industries</td>
<td>11,075.1</td>
<td>60.0</td>
<td></td>
</tr>
<tr>
<td>Fruit and Vegetable Canners</td>
<td>343.4</td>
<td>67.4</td>
<td>62.3</td>
</tr>
<tr>
<td>Tobacco Products</td>
<td>479.1</td>
<td>83.6</td>
<td>16.8</td>
</tr>
<tr>
<td>Rubber Products</td>
<td>503.1</td>
<td>92.4</td>
<td>82.9</td>
</tr>
<tr>
<td>Synthetic Textiles</td>
<td>613.1</td>
<td>85.0</td>
<td>71.5</td>
</tr>
<tr>
<td>Other Paper Products Industries</td>
<td>239.9</td>
<td>66.1</td>
<td>53.3</td>
</tr>
<tr>
<td>Publishing</td>
<td>73.2</td>
<td>53.7</td>
<td>40.7</td>
</tr>
<tr>
<td>Smelting and Refining Industries</td>
<td>2,839.0</td>
<td>84.9</td>
<td></td>
</tr>
<tr>
<td>Total Primary Metals Industries</td>
<td>5,378.3</td>
<td>55.6</td>
<td></td>
</tr>
<tr>
<td>Boiler and Plate Industries</td>
<td>95.9</td>
<td>68.9</td>
<td>68.9</td>
</tr>
<tr>
<td>Metal Stamping Industry</td>
<td>626.4</td>
<td>62.6</td>
<td>60.3</td>
</tr>
<tr>
<td>Hardware and Tools Industries</td>
<td>177.9</td>
<td>54.6</td>
<td>47.2</td>
</tr>
<tr>
<td>Miscellaneous Metal Fabricating</td>
<td>318.9</td>
<td>56.8</td>
<td>46.4</td>
</tr>
<tr>
<td>Commercial Refrigeration</td>
<td>37.2</td>
<td>59.4</td>
<td>59.4</td>
</tr>
<tr>
<td>Other Machinery Industries</td>
<td>1,225.6</td>
<td>84.1</td>
<td>73.8</td>
</tr>
<tr>
<td>Total Machinery Industries</td>
<td>1,688.1</td>
<td>71.9</td>
<td></td>
</tr>
<tr>
<td>Aircraft and Parts Industries</td>
<td>764.0</td>
<td>91.6</td>
<td>48.3</td>
</tr>
<tr>
<td>Motor Vehicles and Parts Industries</td>
<td>1,990.1</td>
<td>95.7</td>
<td>95.6</td>
</tr>
<tr>
<td>Truck Bodies</td>
<td>100.2</td>
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<td>55.8</td>
</tr>
<tr>
<td>Total Transport Equipment</td>
<td>3,322.4</td>
<td>86.2</td>
<td></td>
</tr>
<tr>
<td>Small Electrical Appliances</td>
<td>71.0</td>
<td>82.3</td>
<td>81.8</td>
</tr>
<tr>
<td>Major Appliances</td>
<td>132.6</td>
<td>58.5</td>
<td>58.5</td>
</tr>
<tr>
<td>Industrial Electrical Equipment</td>
<td>624.6</td>
<td>95.7</td>
<td>89.6</td>
</tr>
<tr>
<td>Battery Manufacturers</td>
<td>29.5</td>
<td>97.6</td>
<td>73.6</td>
</tr>
<tr>
<td>Miscellaneous Electrical Equipment</td>
<td>292.7</td>
<td>59.8</td>
<td>40.1</td>
</tr>
<tr>
<td>Total Electrical Products</td>
<td>1,903.4</td>
<td>65.7</td>
<td></td>
</tr>
<tr>
<td>Cement Manufacturing</td>
<td>597.7</td>
<td>56.4</td>
<td></td>
</tr>
<tr>
<td>Glass and Glass Products</td>
<td>202.7</td>
<td>53.8</td>
<td>27.9</td>
</tr>
<tr>
<td>Other Non-Metallic Mineral Products</td>
<td>242.4</td>
<td>88.0</td>
<td>61.4</td>
</tr>
<tr>
<td>Petroleum Refineries</td>
<td>4,059.0</td>
<td>99.9</td>
<td>72</td>
</tr>
<tr>
<td>Other Petroleum and Coal Products</td>
<td>55.1</td>
<td>78.4</td>
<td></td>
</tr>
<tr>
<td>Total Petroleum and Coal Products</td>
<td>4,114.1</td>
<td>99.9</td>
<td></td>
</tr>
<tr>
<td>Fertilizers</td>
<td>106.5</td>
<td>77.1</td>
<td>49.7</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>256.8</td>
<td>82.2</td>
<td>68.6</td>
</tr>
<tr>
<td>Paint and Varnish Industries</td>
<td>165.4</td>
<td>79.8</td>
<td>67.1</td>
</tr>
<tr>
<td>Soap and Cleaning Compounds</td>
<td>153.7</td>
<td>92.5</td>
<td>62.1</td>
</tr>
<tr>
<td>Toilet Preparations</td>
<td>94.8</td>
<td>82.2</td>
<td>66.4</td>
</tr>
<tr>
<td>Industrial Chemicals</td>
<td>997.5</td>
<td>79.9</td>
<td>58.9</td>
</tr>
<tr>
<td>Other Chemicals</td>
<td>720.0</td>
<td>87.4</td>
<td>47.7</td>
</tr>
<tr>
<td>Total Chemicals and Chemical Products</td>
<td>2,494.7</td>
<td>83.0</td>
<td></td>
</tr>
<tr>
<td>Scientific and Professional Equipment</td>
<td>257.7</td>
<td>66.6</td>
<td>62.0</td>
</tr>
<tr>
<td>Sporting Goods and Toys</td>
<td>109.3</td>
<td>56.4</td>
<td>51.3</td>
</tr>
<tr>
<td>Total Manufacturing Industries</td>
<td>39,462.0</td>
<td>56.7</td>
<td></td>
</tr>
</tbody>
</table>
Finally, perhaps the most startling measures of the significance of U.S. direct investment in Canada have been offered by Judd Polk of the U.S. Chamber of Commerce. He estimated that the American corporations in Canada contribute between 45 and 54 per cent of the Canadian GNP. (21)

The new pattern of economic dependence suggested by these statistics entails a much more deep-set kind of economic subordination than was experienced by Canada during the mercantilist era. The principal difference, to recapitulate, lies in the alteration of foreign capital inflows. Unlike portfolio investment, equity investment signifies the actual transfer of direct economic control and decision-making to the investor. This has meant that in addition to trade (22) and capital dependencies, large and important segments of the Canadian economy are integral and subject to external economic interests, in this case those of the United States. The motivating forces in this new pattern are not trade linkages but capital movements. And the central mechanism is a set of organizations which have only lately burst into prominence in international economics: the multinational corporations.

In essence, the multinational corporation is a firm having subsidiary production facilities in several countries, or strictly speaking, more than two countries. Until recently the dominant mode of international economic interaction was based upon the exchange of goods between countries. It was this mode which was reflected in the earlier pattern of Canadian economic dependence and the paradigm of classical economic theory promulgated by Hume, Smith, Ricardo and others. But the multinational corporation marks the exit of both the earlier Canadian experience and classical economic theory. For the multinational corporation embodies an organizational substitute
for international trade. Intracorporate production, sales, research, finance, labour mobility, and technological flows on an international scale have become the primary channel of economic interaction between the U.S. and Canada. The same kinds of economic relationships are rapidly spreading throughout the West and the Third World.

Direct investment across national boundaries is the predominant medium in this process. Canada underwent the replacement of trade by equity capital earlier and more intensely than other nations. As a staging ground for the first wave of American corporate expansionism, Canada is now the prototype of a subsidiary economy. Its economic history since the turn of the century has been in retrospect centred around what other nations have begun to call the "American Challenge." The presence in force of American multinational corporations in Canada, and their creation of a branch plant economy, have inspired the chief concerns of this paper: first, the extent to which the new economics of dependence have been translated into the politics of subjection; and second, the role and motivation of Canadian government elites in co-operating with this process.
FOOTNOTES - CHAPTER 1

(1) Canada's experience within this framework was of course not unique. It was shared by most of Europe's colonies during this period. Perhaps the best-known description of this framework is contained in J.A. Hobson, *Imperialism: A Study*, London, Macmillan Co., 1958.

(2) This rationale was of course complemented by other factors including Jesuit missionary zeal and Gaullic-Anglo-Saxon antagonism, which became a dynamic in its own right. For a short economic history of the French regime in Canada, see H.A. Innis, *An Economic History of Canada*, Toronto, Ryerson Press, 1935, ch.2-4.

(3) The Hudson's Bay Company had obtained a royal charter in 1670 to monopolize trade and govern all the land drained by Hudson's Bay. Wolfe's victory and the subsequent settlement served to both extend and consolidate this position.

(4) This is the essence of what has been called the staple theory of Canadian economic growth pioneered by the late H.A. Innis. While his thesis has been the focus of much debate among economists concerned with its applicability to 20th century Canada, there exists a broad consensus that the theory holds strongly as an explanation of economic growth at least until World War I. See M.H. Watkins' review article entitled "A Staple Theory of Economic Growth" in W.T. Easterbrook and M.H. Watkins eds. *Approaches to Canadian Economic History*, Toronto, McClelland and Stewart Ltd., 1964.

(5) Another reason at various points of time, was to bolster the Canadian defense position which, ever since the American Revolution, had been vulnerable to U.S. military incursions.

(6) Of course the specific capital requirements varied between staples but in each there was little need for fixed capital in comparison to working capital. The fur trade, for example, required capital which was very intimately related to trading techniques, e.g., barter goods, canoes and traders' wages. For a more detailed explanation of the capital requirements of the fur trade see H.A. Innis, *The Fur Trade in Canada*, Toronto, University of Toronto Press, 1956, Chapter 8, section C. Capital requirements in the lumber trade were somewhat more varied but remained almost exclusively working capital until the U.S. began to require lumber from B.C. Unlike British demands for squared timber, U.S. demands for lumber required certain amounts of fixed capital investment in the form of sawmills and heavy logging equipment. See H.A. Innis, "The Lumber Trade in Canada" in *Essays in Canadian Economic History*, Toronto, University of Toronto Press, 1956.

(7) Indeed, it is still true that staple exports are a crucial though not single determinant of Canadian economic growth: "it is still true that the pace of development in Canada is determined fundamentally by the exports that enable Canada to pay its way in the world." Hugh G.J. Aitken, *American Capital and Canadian Resources*, Cambridge, Mass., Harvard University Press, 1961, p.44.


(10) "American capital began to flow into the Canadian timber trade before 1840, American capital and technical assistance helped to found an early cotton mill in Sherbrooke in 1844 and Americans had been attracted to the Lake Superior copper and silver mining areas by 1846." Herbert Marshall, Frank A. Southard Jr, and K.W. Taylor, *Canadian-American Industry: A Study in International Investment*, New Haven, Yale University Press, 1963, p. 3.


(12) The Watkins report notes that "direct investment, particularly by American corporations, became noticeable after the tariff of 1879 ..." *Foreign Ownership and the Structure of Canadian Industry*, Ottawa, Queen's Printer, 1968, p. 16. Refer also to previous footnote.

(13) The Department of Industry, Trade and Commerce has supplied somewhat different statistics but they sustain the same conclusion. Referring only to external financing of U.S. corporations in Canada, that is excluding reinvested profits and depreciation, the department notes that in 1967 Canadian savings provided 64 per cent of the total external funding to all American firms in Canada. *Foreign-Owned Subsidiaries in Canada 1964-1967*, Ottawa, Queen's Printer, 1970, pp. 40-41.


(16) Derived from Table II.

(17) *Corporations and Labour Returns Act Report for 1967, Part 1*, Ottawa, Queen's Printer, 1971. It would appear that the Canadian Government still does not know or will not divulge precise figures about the degree of American control. The report's definition of "foreign controlled" corporations is stipulated arbitrarily to mean that 50 per cent or more of a firm's voting shares are owned by non-residents. In fact, a controlling interest may comprise a bloc of shares which is far less
than 50 per cent. For this reason the report's estimate that 25 per cent of Canadian corporate assets are foreign controlled is quite possibly considerably biased in a downward direction. In addition, the term "non-resident" is only vaguely defined to refer to "non-resident individuals or corporations with non-resident addresses". It would seem from this definition that the subsidiaries of American firms resident in Canada would not be classified as "non-resident controlled." If this is the case then this too biases downward the estimate of non-resident control.

(18) Ibid. These divisions are exceeded only by the financial division in terms of the total value of assets. If the financial division is excluded, the mining and manufacturing divisions together comprise almost two-thirds of all corporate assets.

(19) It is necessary to use measures of foreign control in these instances since specific measures of U.S. control are not available. However, rough estimates of U.S. control may be obtained by deflating these figures by one fifth. (Non-resident, non-American equity capital in Canada constitutes about 19 per cent of total foreign equity.)


(21) Polk's estimate is admittedly crude. He assumes a direct investment sales to book value ratio of 2:1 and a total business sales to GNP ratio of 7:5 to achieve the lesser figure. By adding Canadian imports from the U.S. he obtains the greater estimate. See Polk's address to the 12th Annual Seminar on Canadian-United States Relations, November 17, 1970, entitled "Elusive Canada" (mimeo), pp.9-10.

(22) See Table I. It must be noted that the staple composition of Canadian exports is less narrow than it once was and has been broadening appreciably since World War II. Staple and semi-finished goods still constitute almost two-thirds of total exports, however, and the country is still heavily reliant upon imports of finished products, mostly from the United States. (For a breakdown of Canadian imports and exports by stage of fabrication, consult The Canadian Statistical Review, Ottawa, Queen's Printer, 1970). This pattern of trade "resembles more closely that of a less developed nation than that of other developed countries" concludes Professor B.W. Wilkinson in Canada's International Trade: An Analysis of Recent Trends and Patterns, Canadian Trade Committee, 1968, p.17.

In addition to remaining heavily dependent upon foreign demand for raw materials and semi-finished products, there is growing dependence upon only one country: the United States. Since World War II Canadian exports to the U.S. have risen from 38 per cent to 68 per cent and Canadian trade with the U.S. continues to grow at a faster pace than Canadian trade with the rest of the world. Canadian imports from the U.S. are presently growing at a rate of 9 per cent per year compared with 7 per cent with the rest of the world, and Canadian exports to the U.S. are growing at a rate of 11 per cent per year as compared with 10 per cent with the rest of the world. (Trade rate figures cited in Polk, op.cit., pp.8-9)
(23) Occasionally, the need for large amounts of equity capital is reduced when two corporations in different countries decide to arrange a joint venture. This is, however, uncommon. The creation of new production facilities or the direct takeover of existing firms is a method which is much preferred by multinational corporations.

(24) This phrase was coined by J-J. Servan-Schreiber to describe the beginnings of American multi-corporate growth in Europe. See his *The American Challenge*, New York, Atheneum House Inc., 1968.
There are two ways of conquering a foreign nation. One is to gain control of its people by force of arms. The other is to gain control of its economy by financial means.

John Foster Dulles

A. Vision of a Global Future ....

An increasing amount of scholarly and journalistic energy and attention is presently being devoted to the view that multinational corporations are on the verge of assuming full credentials as independent actors in world politics.(1) As a consequence of their already formidable powers and their anticipated independent status outside the bounds of nation-state control, it is often contended that multinational corporations bear the seeds of a great world transformation: the attainment of an integrated economic and political system at the global level. This thesis is derived from what appears to be a widely held consensus concerning the long-term future evolution of the multinational corporations. Certain technological and organizational imperatives have been ascribed to many of the larger and more dynamic modern corporations, requiring that they develop through a succession of stages or orientations: from an ethnocentric (single nation) to a polycentric (multination) to a geocentric (global) orientation.(2) Associated with this evolutionary typology is the vision of a world-integrated set of economic relations; the globalization of corporate 'orientation' implies the globalization of corporate organization, production, trade, research and development, advertising and sales. Concomitant to the process is prophesied the parallel attainment of a world polity and the breakdown of cultural particularisms under the sway of a somewhat crude economic determinism.(3)
The transcendance of what some consider to be obsolete parochial political structures and authority is held to be both a natural by-product of the advent of multinational and global corporations and a necessary condition to the completion of their evolutionary potential. (4) More specifically this perspective leads to the predicted demise of the nation-state, its replacement by regional groupings of nation-states whose sovereignty has been qualified, and ultimately the attainment of some form of world government. (5)

Thus, according to this vision, the internationalization of production under the aegis of the multinational corporation acts as a kind of universal solvent and the relevant context for analysis becomes the set of contradictions manifest and latent in the relationship between multinational corporations in the aggregate and the nation state as a general category. Certainly if a long run vantage-point is adopted this context bears merit for concentrated study. Even now there is a powerful cogency supporting the contention that multinational corporations have assumed a preferred power position in relation to a number of nation states across a broad dimension of decision-making capabilities. It is suggested that such corporations can and have played not only a powerful role but an independent and determining role in both national and international politics. (6) Evidence of conditions supporting this argument is provided by certain general features of the multinational corporation which indicate distinct power superiority and strategic advantage. Signal among these features are the size (7) and the international scope (8) of the multinational corporation coupled with such characteristics as a marked tendency towards oligopoly and vertical integration. (9) These features result not only in a high measure of
While the above perspective, envisaging a contest for supremacy between nation states and multinational corporations, provides a wealth of insights into the possible future configuration of power relations in a global context, it remains a premature and inconclusive prospect. This is true with respect to the present and near future, and applies specifically to the Canadian case. Its limitations devolve in particular from a tendency to distort reality by the indiscriminate aggregation of nation states into a single category. This tendency results in the obfuscation of certain critical distinctions between nation states. Included are such obvious differences as:

1. nation-states as home or host countries of multinational corporations.

2. nation-states having capitalist or socialist governments.

3. nation-states whose economies are highly diversified and those which are not.

4. the relative power status of nation states (e.g. super power, middle power, small power).

The degree to which nation-states are vulnerable to multinational corporate power is highly dependent upon these and other differences. In general, host nations have less sway over multinational corporations than do home nations; capitalist states are less prepared to regulate and control such corporations than are socialist ones; highly diversified economies are less susceptible to dependence on foreign corporations than are less diversified economies; and superpowers command greater political resources for the protection of their interests than do small powers. So much is self-evident but should not be neglected in a study
of the modalities of multinational corporation-nation state relations.

B. ... vs. a Present Canadian Reality

But there is a second more critical perspective which is often overlooked or underemphasized by theorists of the great transformation. This outlook centres upon the fact that some nations use multinational corporations as instruments of national policy to extend their powers and jurisdiction over other nations. In this sense multinational corporations have become a readily "convertible entree" (13) to promote the political, military and economic goals of one state in another state. Instead of being protagonists in a battle with nation states, multinational corporations are, according to this view, media for the intrusion of one state upon the jurisdiction and sovereignty of another state. Multinational corporations are seen as agents of empire in pursuit of colonies. For this purpose the multinational corporation has provided a somewhat more subtle set of techniques, the consequences of which are, however, comparable to those achieved by earlier cruder instruments of empire.

It is this latter perspective which portrays most accurately the relationship of American multinational corporations to the Canadian state: the American multinational corporation has in the past and does presently act as an economic front line for the intrusion of American political power in Canada. The resultant abridgement of Canadian independence is due less to any autonomous role of the multinational corporation than it is a function of the subordinate position of the American multinational corporation vis-à-vis the dictates of the American state. Of course this does not mean that the multinational corporation is the only agency of the American empire in Canada, merely
that it is a most important agency whose vitality, as will be shown presently, has not diminished through lack of use.

For a variety of reasons, the American state, unlike the Canadian government, has retained ultimate legal authority and actual control over the domestic operations and policies of corporations within its territorial jurisdiction. In addition, as will be seen, the American state has sought and exacted an increasing range of discretion over the activities of subsidiaries and affiliates of American-owned corporations outside these boundaries. This capacity may, it is true, be contingent upon factors which are not necessarily permanent, whose salience may diminish over time. Included are the greater dependence of most U.S. multinational corporations upon the U.S. domestic market rather than upon the markets of other nations, (14) the high proportion of American nationals in the managerial ranks of American multinational corporations, (15) continuing reliance, critical in some sectors, of the multinational corporation upon U.S. government controls, research and development grants, and other dependencies which signify and favour the American 'character' and 'orientation' of U.S. multinational corporations. These dependencies may be attenuated in the future as the American multinational corporation increases the weight of its foreign operations. But this expectation may be naive. There appear to be other, more permanent and critical features of the U.S. state-U.S. multinational corporation relationship which impel the continuing subordination of corporation to state. These have been aptly summarized by Henry Fowler, U.S. Secretary of the Treasury.
"It is impossible to overestimate the extent to which the efforts and opportunities of American firms abroad depend upon the vast presence and influence and prestige that America holds in the world ... if we were to contemplate abandoning those frontiers and withholding our assistance ... I wonder not whether the opportunities for private American enterprise would wither - I wonder only how long it would take."(16)

While the American multinational corporation derives considerable benefit from its relationship with the U.S. state and finds the relationship necessary to its existence, it should also be understood that the benefits accrue in both directions. The United States relies heavily upon the continuing presence and growth of American multinational corporations to protect its interests and extend its jurisdiction abroad. The American multinational corporation has a "highly significant role in the United States foreign policy" for which reason "the United States government has consistently sought ... to expand and extend the role of the multinational corporation."(17)

So the connection between the U.S. state and the American multinational corporation is symbiotic. The rationale is circular: the corporation obeys the state because the state is necessary to the corporation, the state requires obedience from the corporation because the corporation is useful to the state. The powers and interest-fulfillment of the one are highly dependent upon those of the other.

In the chapter which follows, two case studies are presented demonstrating specific examples of the impact of the alliance between the American state and American multinational corporations upon various dimensions of Canadian sovereignty and independence - political, economic and cultural. At this juncture, however, it is appropriate to discuss the more general mechanics of the process whereby the multinational corporation has served as an agent of American state.
Abridgement of the jurisdiction of the Canadian state via the American multinational corporation has occurred at two levels. The first is the procedural or legal level. The kind of jurisdiction involved is similar to Morgenthau's understanding of nation state sovereignty:

"Sovereignty is the supreme legal authority of the nation to give and enforce the law within a certain territory, and in consequence independence from the authority of any other nation and equality with it under international law." (18)

Largely because the United States has made an effective legal claim through American laws of extraterritoriality to jurisdiction over the foreign subsidiaries of American corporations and because this claim has not been challenged by the Canadian government, the stage has been set for the transfer of a second kind of jurisdiction. Incurred is the loss of what Morgenthau calls "actual independence":

"Sovereignty is not actual independence in political, military, economic or technological matters. The actual interdependence of nations in those matters and the actual political, military, and economic dependence of certain nations upon others may make it difficult or impossible for certain nations to pursue independent domestic and foreign policies, but it does not normally affect their supreme law-giving and law-enforcing authority within their own territories - that is, their sovereignty." (19)

According to this distinction, sovereignty is a discrete legal absolute whereas actual independence is a relative term expressing varying degrees of nation-state economy. But these is a limit at which the distinction becomes meaningless, where the degree of dependence nullifies pretensions of sovereignty. The American state through the multinational corporation has arrogated to itself Canadian state sovereignty from both perspectives, first because these firms remain legally outside Canadian jurisdiction while operating within Canadian territory,
and second, because they serve to qualify Canadian independence to a
degree which implies the further loss of Canadian state autonomy.

Certainly there are numerous features of the Canadian-American
relationship which predetermine the loss of Canadian independence, which
necessitate a greater dependence of Canada upon the United States than
vice versa and which exist regardless of the presence of the American
multinational corporations. Such features impose certain 'natural'
restrictions upon the policy options and legal prerogatives available to
the Canadian state. Political, economic, military but not legal sub-
ordination obtained prior to the advent of multinational corporations.
Shared borders, cultural similarities, the larger size and greater
strength of the American economy, the technological superiority of the
U.S., a wide range of common foreign policy goals, reliance upon U.S.
military protection and assistance, the lack of a positive Canadian
national identity, the re-emergence of a more 'classic' kind of federal
system, growing complementarities between the Canadian natural resource
base and American industrial requirements, together with a host of other
factors, have a causal relevance to an understanding of the gradual erosion
of Canadian sovereignty and independence. At the same time, it is also
clear that the American multinational corporation has made an appreciable
contribution to this process and that particularly since World War II
this contribution has been of signal importance.

The erosion of Canadian sovereignty and independence by the U.S.
state using the American multinational corporation has taken place
directly in two ways:

1. the application of American laws of extraterritoriality
to subsidiaries of American multinational corporations
in Canada and to goods and technology produced either
by the subsidiaries or by the parent firms.
2. the threat of application of U.S. laws of extraterritoriality and other sanctions. In this instance, the attenuation of Canadian independence has occurred in areas not covered by American legal claims. In other words, American legal supremacy in one area is used as leverage to dictate concessions in others.

The American multinational corporation has been used as an avenue both for "legal imperialism", (20) that is, the actual intrusion of American laws, and for a wide range of spill-over effects which constrain Canadian independence in other areas.

Direct infringement of Canadian sovereignty devolves from U.S. laws of extraterritoriality in three principal areas: trade regulations, balance of payments controls and anti-trust legislation. In each case, the vehicle of American legal penetration is the American multinational corporation.

Under the American Trading with the Enemy Act of 1917 and subsequent subordinate legislation (Foreign Assets Control Regulations, Foreign Direct Investment Regulations and the Cuban Assets Control Regulations), the U.S. government has reserved the right to dictate the export policies of all U.S. corporations. Since 1945, the laws have applied not only to resident American firms, but also to non-resident American subsidiary firms, even where American-origin goods, components or technology are not involved. (21) By virtue of this extension, non-Americans have been made liable to criminal prosecution and penalties for non-compliance with American laws. But the operative and effective sanction is more usually the denial of opportunity to participate in U.S. export transactions, in other words, "black listing".

These laws have meant that, in effect, Canada has been disbarred from a wide range of export trade with North Vietnam, North Korea, China and Cuba. The Canadian government has submitted to American
law in this area despite the fact that many of the proscribed export goods are manufactured in Canada and despite the fact that the Canadian government has generally favoured more liberal trade policies with Communist countries. The impact of these laws upon Canadian trade has been mitigated to some extent by special exemptions permitted by the U.S. government. But the exemptions themselves, because they gave implicit recognition to the validity of the American legal extension, only further compromised the integrity of Canadian state sovereignty. In addition, the economic benefits of exemption were paid for at par: the Canadian government has agreed to regulate Canadian export trade under the Export and Import Permits Act in such a way that the provisions from which Canada has been exempted will still obtain. At the same time, the general acquiescence of Ottawa has not always been sufficient to prevent conflicts from arising between the two governments over these laws. It is these conflicts which expose to public view the nature and extent of the Canadian concessions. One of the better-known incidents centred upon the Ford case in the 1950's, whereby Canada was prevented from exporting trucks to China. A similar incident occurred when three of the largest milling companies in Canada were prevented from making flour to be sent to Cuba. More recently, Washington refused to allow American-owned drug companies in Canada to sell medical supplies to the Society of Friends for distribution among Vietnamese civilians. Each of these instances served to affirm the supremacy of American jurisdiction over American-owned companies in Canada and exemplified the use of such corporations to promote American foreign policy objectives - even when those objectives were contrary to those of the Canadian government.
The second area of legal intrusion, that of laws relating to extraterritorial application of U.S. balance of payments controls, has been detrimental not only to Canadian sovereignty but to the Canadian economy as well. In economic terms, these laws have been accountable for the "most important kind of extraterritorial result." (25) These laws, which are examined in detail in the next chapter, have been applied on numerous occasions to American companies in Canada. Despite the large economic costs for Canada, (26) they have been highly successful in eliciting compliance both from the corporations involved and the Canadian government. Such compliance has been manifested whether the controls were made mandatory by legislation or voluntary by appeal. In addition, these laws have been made into one of the principal levers enabling the U.S. government to exact Canadian cooperation in fields unrelated to the jurisdiction of the laws themselves. (27)

Finally, under the Sherman Antitrust Act and section 7 of the Clayton Act, the U.S. government has claimed the prerogative of extending American anti-trust law beyond its borders. According to this body of legislation, the U.S. Department of Justice retains the right to adjudicate upon all takeovers and mergers involving American corporations. Again, the intrusion of American jurisdiction has often been contrary to Canadian policy, both because Canadian policy has been more 'liberal' in this area (28) and because it has often opposed Canadian economic interests. (29)

These are, in outline, the primary legal claims placed upon Canadian subsidiaries and affiliates of American firms by the U.S. government. As will be shown subsequently, it is largely as a result of its ability to effect these claims that the United States government has been able to restrict the policy choices of the Canadian
government in other areas. The Canadian government has, with few exceptions, accepted without visible or forceful objection this legal delimitation of its sovereignty. Moreover, the Canadian government has complied, by and large, with American pressures in other areas which use control over multinational corporations as leverage. Because of the relative lack of Canadian governmental opposition to this process, it is often difficult to ascertain the extent to which the independence of the Canadian state has been compromised. Where the policies of the Canadian and American governments appear to complement one another, it becomes a debatable position to argue that this is not due to coincidence or a genuine mutuality of interest. However, there have been a few well documented instances where the cooperation of the Canadian government has not been entirely voluntary, where concessions were made only after a period of struggle with American governmental power. And the presence of American-based multinational corporations explains much of the failure on the part of the Canadian government to succeed in this struggle. In the words of a senior American civil servant:

"These interferences could not occur in the absence of the multinational enterprise; home governments would simply not agree to concerted policies. They are faced with such interference only because of the control gained by the U.S. government through the existence of the multinational enterprise."(30)

The following case studies lend credence to this assertion.
FOOTNOTES - CHAPTER 2


(3) Predictably, the multinational corporation is considered to be conducive to the diffusion of a world culture similar to Toennies concept of Gesellschaft as opposed to Gemeinschaft, Mann's notion of civilization as opposed to culture and Durkheim's mechanical solidarity as opposed to organic solidarity. Such a prognostication may be premature, however, given the resistance shown its diffusion both in North America and Western Europe by elements of the 'counter culture', and in the Third World by nascent nationalism and strong remnants of earlier tribalism.

(4) This view has been most often associated with the functionalist school of international integration. One of the foremost exponents of this school is E.B. Haas who offers the same view of the relationship between economic and politico-socio-cultural integration as summarized above in Beyond the Nation-State, Stanford, Stanford University Press 1968. A shorter summary of the functionalist perspective in this respect may be found in P.C. Bock "Functionalism and Functional Integration" International Encyclopaedia of the Social Sciences, 1968, vol.7, pp.534-541.


Academy of Management Proceedings, August, 1969; Anthony Judge, "Multinational Business Enterprises as a New Category of International Organizations", International Associations, January, 1969; C.P. Kindleberger American Business Abroad, op.cit., Patrick Armstrong, "Multinational Corporations and Global Unionism", World Federalist, Canadian edition, May, 1970; and Frank Tanner "Beyond the Nation State" in Dialogue, 1970, vol.3, no.1. It should be noted that while all of the above subscribe to the view that multinational corporations serve to undermine the nation-state system, several have reservations about the outcome of the contest. Consequently, not all are willing to pursue the logic which predicts the political supremacy of global institutions. This reserve should be borne in mind. It has signal relevance to this thesis.

(6) The definitive terms here are "independent" and "determining". Certainly there is historical precedent for multinational corporations playing a significant role in international politics. Obvious examples include the Suez Canal Company in Panama, the United Fruit Company in Guatemala, and Honduras, and German cartels during the 1930's in Europe. But there exists no case, to my knowledge, of corporations playing such roles and emerging victorious in a conflict with a nation-state, without the support of another nation-state or states. This distinction is crucial, for the present multinational corporations are considered, in some quarters, to have sufficient powers and leverage to press their interests unalloyed by alliance with other powers.

(7) This feature remains outstanding whether the criterion of size is absolute, e.g., amount of investment or volume of sales, or relative to national revenue expenditures or GNP's of most nations. In 1965, for example, 37 of the largest corporations, the vast majority of which were multinational, had a sales volume in excess of one billion dollars U.S. In the same year only 40 nations of 126 had national revenue expenditures in excess of this figure and only 69 had GNP's larger than one billion dollars U.S. (Data are cited in G. Modelski "The Corporation in World Society", loc.cit. p.68). For further information concerning the 'size' factor consult Louis Turner, Invisible Empires, London, Hamish Hamilton Ltd., 1970, pp.135-136; Judd Polk "Internationalization: A Production Explosion and a Political Challenge", loc.cit., table 10; and J.F. Galloway "Multinational Corporations as World Wide Interest Groups", loc.cit., p.8. Another study of the size factor, based upon extrapolations of the present growth rates of multinational corporations, indicates that by 1987, they will be contributing in excess of one third of total non-Communist world production. Interim Report on Competition Policy, Economic Council of Canada, Ottawa, Queen's Printer, 1969, p.180. (cited in Levitt op.cit., p.92.)

The predictions based on disaggregated data, i.e., for single firms, are just as striking. Within a "generation" (presumably twenty or twenty-five years), IBM will be the "largest single economic entity in the world, including the entities of nation-states according to R.L. Heilbroner "The Multinational Corporation and the Nation State", loc.cit., p.2. The eloquence of this particular prediction is marred
by loose phraseology and all of the forecasts may require deflation given the errors commonly associated with such long term extrapolations. However, they provide a useful indication of the order of magnitude involved. This order of magnitude remains peculiar to multinational corporations, even when only that part of the corporation resident within one set of national boundaries is considered. For the Canadian case, it is noteworthy that the "average size of all foreign-owned corporations (in 1968) was almost ten times higher than the average for all corporations" (in Canada). Calura, Ottawa, Queen's Printer, 1971, p.34.

(8) The autonomy of multinational corporations, with regard to national regulation, as a consequence of the fact that they extend beyond national jurisdictions has been emphasized as a crucial consideration. While "nations have fixed jurisdictions or domains ... the domain of the corporation may stretch far beyond that of the nation-state". (Consequently) "the power of the state to govern is compromised". C.P. Kindleberger Power and Money, New York, Basic Books Inc., 1970, p.180.


(10) Such autonomy has long been axiomatic in the literature concerning large modern corporations, be they multinational or otherwise. Large, oligopolistic vertically integrated firms have (tautologically) been accorded a strongly determinative role in the setting of the supply function. Modern marketing techniques, e.g., sophisticated advertising and packaging aided by insights provided by psychologists, have enhanced corporate discretion in the manipulation of aggregate consumer demand, through "demand creation". See J.K. Galbraith, The New Industrial State, Boston, Houghton-Mifflin Co., 1967, chapters XVI-XX inclusive; The Affluent Society, Toronto, Mentor Books, 1965, chapters X and XI; Vance Packard The Hidden Persuaders, New York, Pocket Books Inc., 1960; The Waste Makers, New York, Pocket Books Inc., 1964.

(11) Perhaps the most striking illustration of nation-state weakness in respect to the regulation of multinational corporations through the use of monetary controls, at least for the Canadian case, occurred in 1962. The Canadian dollar had been devalued by 7.5%. This measure was intended to inhibit imports and was directed particularly against those coming from the U.S. Instead there was a 6% increase in imports coming into Canada that year. This was due primarily to the fact that approximately one-third of all imports were purchased by Canadian subsidiaries of American corporations and that the imports of these firms increased by 15% during the year following devaluation. Most of these imports (70%) were intra-company transfers which were little affected, if at all, by the Canadian policy. For elaboration see Levitt, op.cit., pp.124-126. While there is an appreciably higher propensity to import on the part of most subsidiaries of American multinational corporations,
irrespective of location, the characteristic seems to have greater significance in Canada than elsewhere. A study published in the U.S. Survey of Current Business, December, 1964, noted that while Canadian affiliates of U.S. Corporations used about 15.5 per cent U.S. imports in their production, European affiliates used less than 5 per cent. Study cited in Charles Taylor "Nationalism and Independence", Canadian Dominion Kit No.3; Canadian Nationalism, p.9. See also B.W. Wilkinson, Canada's International Trade: An Analysis of Recent Trends and Patterns, Canadian Trade Committee, 1968; The Watkins Report, op.cit., pp.198-208; John Lindeman and Armstrong Policies and Practices of United States Subsidiaries in Canada, Canadian-American Committee, M.T. Bredshaw, "U.S. Exports to Foreign Affiliates of U.S. Firms", Survey of Current Business, May, 1969, and A.E. Safarian, Foreign Ownership of Canadian Industry, Toronto, McGraw-Hill Co., 1966. This higher propensity to import was the only "systematic difference" that Safarian found between U.S. and Canadian corporations in Canada. (ibid., p.205) It has heavy accountability for Canada's balance of payments deficit with the U.S., and, as seen above, remains impervious to Canadian state regulation.

(12) This view has been aptly summarized by George Ball, former U.S. Undersecretary of State: "The multinational corporation is ahead of, and in conflict with, existing political organizations represented by the nation states". Quoted in Kari Levitt, Silent Surrender, Toronto, Macmillan Co., 1970, p.88.

(13) This is a term used by A.M. Scott in The Revolution in Statecraft, New York, Random House, 1965, p.19.

(14) Although the number is growing, there are still very few American multinational corporations who have foreign sales and/or profits greater than domestic sales and/or profits. Elaine H. Burnell and von Simson, eds. Pacem in Maribus, Santa Barbara, Center for the Study of Democratic Institutions, 1970, p.58. Cited in Galloway, loc.cit., p.5.

(15) In a survey of 31 chief executives of the world's largest corporations in 1965, it was found that there was none whose nationality differed from the nationality of his company. See G. Modelski, "The Corporation in World Society". The assumption here is that the cooperation of American corporations with the American state results, in part, from the allegiance of executives to nation as well as to profit.


(17) Remarks by Henry Fowler cited in ibid.


(19) Ibid., p.304.

(20) This phrase has been aptly used by Melville Watkins to describe the application of American laws of extraterritoriality in Canada in The Toronto Daily Star, January 1, 1970.
(21) The precedent for extension occurred in 1945 when Judge Learned Hand of the U.S. Court of Appeals ruled that "any state may impose liabilities even upon persons not within its allegiance for conduct outside its borders that has consequences within its borders which the state represents". Cited in A.D. Neale The Antitrust Laws of the United States of America, New York, Cambridge University Press, 1960, p.324. This precedent eventually formed the juridical basis of the extraterritorial claims contained in the Export Control Act of 1949, the Foreign Assets Control Regulations of 1950 and, most recently, the Cuban Assets Control Regulations.

For a better understanding of the complex legal implications of this extension for Canadian firms, see J.I.W. Corcoran "The Trading with the Enemy Act and the Canadian Controlled Corporation" in McGill Law Journal, vol.14.


(24) C.W. Gonick "Foreign Ownership and Political Decay" in Ian Lumsden, ed. Close the 49th Parallel etc., Toronto, University of Toronto Press, 1970, p.49.


(26) These cases are elaborated upon in chapter 3, section A of this paper.

(27) Elaboration concerning this point is contained in the subsequent case study entitled "The United States Guidelines Issue."

(28) Canadian policy is more 'liberal' from two perspectives. First the terms of reference of Canadian anticompetitive policy are much more restricted than the American counterpart. Second, there appears to be some discrepancy between Canadian policy intent and its reality as determined by enforcement. Revision in both dimensions has been recommended by both the Watkins report and the Wahn report. Recently there have been indications that the Department of Consumer and Corporate Affairs is entertaining certain reforms in these areas. However, irrespective of a possible future similarity between U.S. and Canadian legislation here, the ability of the former to override the latter in the past with respect to Canadian subsidiaries is instructive.

(29) For example, in the Radio Patents Pool Case, a U.S. court ruling held that a Canadian patent pool restricted the export of American goods. Consequently, the pool, held by a Canadian subsidiary, was broken up. The case would not have arisen, of course, if an American patent monopoly had restricted Canadian exports.

Another instance concerned the division of Canadian Industries Limited. According to one analyst this division precluded the advent of a Canadian competitor firm, causing the outlook of "an indigenous Canadian chemicals industry (to become) even bleaker than previously".

(30) These remarks were made in reference to the application of American laws of extraterritoriality in Canada by J.N. Behrman, former Assistant Secretary of Commerce under President Kennedy. Quoted in Godfrey and Watkins, *op.cit.*, p. 204.
... countries with economies so inex- 
tricably intertwined must also have 
free movement of the other vital factors 
of production - capital, services and 
labor. The result will inevitably be 
substantial economic integration, which 
will require a progressively expanding 
area of common political decision. 
George Ball

The two case studies which follow exemplify two perspectives, 
mentioned in the previous chapter, on the use of multinational corporations 
as agents of the American state. In the first, the focus is upon the 
application of a particular set of American laws of extraterritoriality, 
those embodied in balance of payments controls, to the subsidiaries of 
American parent firms. Derivative of the loss of Canadian sovereignty 
over these firms is the abridgment of Canadian jurisdictional independence 
not only over critical economic matters but also over certain important 
aspects of Canadian foreign and military policy. The second example 
centres upon American state interference in the "Time and Readers" 
Digest affair". In this instance, the U.S. had no legal claim to 
jurisdiction. However, as the study makes clear, the United States was 
able to use its control over multinational corporations to lever Canadian 
concessions in this area. Thus, the first case study concerns primarily 
the application of American laws of extraterritoriality through the 
American multinational corporation; the second involves the threat of 
application of these laws and other powers over the multinational 
corporation to wrest Canadian concessions in a non-related area.

A. The United States Guidelines Issue

Unlike other instances involving the application of American
laws of extraterritoriality to Canadian subsidiaries of American corporations, those involving U.S. balance of payments controls have not been accomplished on an ad hoc basis. Instead, the extension of American jurisdiction has occurred on an aggregate basis, blanketing all Canadian subsidiaries. As a consequence, the deleterious impact of American policies in this area and the abridgement of Canadian political sovereignty and independence has had a magnitude which far outweighs that of any other more specific application of U.S. policy to Canada. But the importance of the controls for Canada may be measured not only by the extent of application; it can be ascertained, as well, by the range of Canadian policies it violates and the Canadian policy discretion it restricts. As will be shown subsequently, the U.S. balance of payments controls have impinged on Canadian independence in the following additional areas:

a) Canadian fiscal and monetary controls: as a result of the U.S. balance of payments controls and other U.S. legislation, much of the Canadian government's capacity to manipulate fiscal and monetary tools has been abrogated.

b) Canadian foreign policy: because of the American government's ability and threat to impose economic sanctions through its power over subsidiaries of American corporations, Canadian foreign policy options, particularly with respect to the war in Vietnam, have been restricted.

c) The structure of the Canadian banking system: there is evidence that through U.S. balance of payments controls the Canadian government has been penalized for its attempt to prevent American entrance into, and alteration of, the Canadian banking system.

These additional limitations upon Canadian policy formation and implementation have accrued just as much as a result of U.S. balance of payments controls as the more logically direct implications of the controls with respect to the trade, investment and dividend policies of the Canadian subsidiaries of U.S. corporations. As the history of these
events makes abundantly clear, none of the above restrictions upon Canadian political independence would have held without the presence of U.S. multinational corporations in Canada.

The first attempt of the U.S. government to bolster its balance of payments position through use of its authority over the U.S. multinational corporations and their subsidiaries, occurred in February 1965. President Johnson made a personal appeal to nine hundred American-owned multinational corporations to meet a set of voluntary guidelines which were aimed generally at reducing the U.S. deficit on capital account and increasing the U.S. surplus on current account. The following policies were contained in the guidelines:

1. measures to expand U.S. exports;

2. measures to accelerate the remittance of dividends and other payments from foreign subsidiaries to the United States;

3. measures to increase the level of long-term borrowing abroad;

4. measures to repatriate short-term assets held abroad; and

5. measures to postpone or eliminate further U.S. direct investments abroad.

Through the adherence of each of the American multinational corporations to these guidelines, it was believed that the U.S. balance of payments deficit could be controlled. Each corporation was asked to limit foreign investment, both direct and via reinvested profits, to less than 90 per cent of the three-year (1962-1964) total during the next two-year period. The response of the multinational corporations to the guidelines proved to be overwhelming evidence on behalf of Johnson's oft-touted ability at 'friendly persuasion': in conformity with the appeal "the president of each of these multinational corporations personally agreed to submit detailed quarterly progress reports to the
U.S. government."(1)

Initially the Canadian subsidiaries of American multinational corporations were exempted from the guidelines in apparent recognition by the United States of Canada's "unique economic ties with that country."(2) One factor accounting for this recognition was an earlier set of concessions made by Canada to the United States. In 1963, the Canadian government had agreed to an American stipulation that Canada's foreign exchange reserves not rise above a specified ceiling. This concession together with the fact that Canada had agreed to maintain a fixed rate of exchange meant that Canada's discretion respecting monetary policy had already been severely circumscribed.(3) Canada was, thus, in a uniquely vulnerable position with regard to the new guidelines.

Despite the peculiar vulnerability of Canada to the guidelines and despite the substantial character of the earlier concessions, the Canadian exemption was lifted in December, 1965. The United States anticipated that new factors causing a drain upon American capital would offset the success of the guidelines unless they were extended. The U.S. Department of Commerce reasoned that "the increased military effort in Vietnam will put further pressure on our balance of payments."(4) Canadian corporations were now asked to submit to balance of payments controls the goal of which was not merely deficit reduction itself, but, explicitly, financial support for American foreign policy and military objectives. Extension of the guidelines did not signify a qualitative alteration of the Canadian-American relationship, in this respect. It merely added another dimension to the junior-partner military and foreign policy status Canada had long ago assumed(5), and especially to the Canadian material contribution to the American war effort in Vietnam. Canada was already in material support of the U.S. Vietnam
policy through participation in defence production sharing, the export
of strategic materials and financial aid to the South Vietnamese govern-
ment.(6) Moreover, given the long history of visible Canadian diplomatic
support of the U.S. policies in Vietnam, particularly through Canada's
role on the International Control Commission, it can logically be
concluded that the foreign policy implications of the U.S. balance of
payments guidelines were consistent with the prior aims of Canadian
foreign policy. Yet this conclusion neglects a number of salient
factors... It assumes that foreign policy is more independent of domestic
and international economic considerations than may, indeed, be the case.(7)
It also neglects the fact that whereas the Canadian government supported
the U.S. Vietnam policy in its generalities, this was less true with
respect to particular aspects of that policy. As was made public by the
famous interchange between Pearson and Johnson in April 1965, the Liberal
government was opposed to at least part of the American policy in Vietnam.
(8) But even two years later, after the same criticism had been made
by a number of other nations and the Pope, Pearson resisted a resolution
which would have made Canadian opposition to the bombing of North
Vietnam official.(9) A week later, Pearson explained his reticence:
"We can't ignore the fact that the first result of any open breach with
the United States over Vietnam, which their government considers to be
unfriendly or unfair on our part, would be a more critical examination
of certain special aspects of our relationship ..." Pearson elaborated:
"It is not a very comforting thought, but, in the economic sphere ...
you are in a position of considerable economic dependence".(11)
The limitations upon Canadian foreign policy accruing as a
result of continental economic integration were only one area of vul-
nerness illustrated by the American guidelines. Even before the
guidelines had been extended, they had decidedly upset the stability of
the Canadian capital market by causing large scale "withdrawals of short-
term assets by U.S. corporations"(11) during 1965. When the extension
was announced, further adverse consequences were expected: "it was
feared in Canada that there would be a cutback in capital inflows from
the U.S. ... There was concern, further, over the implications of the
guidelines for subsidiaries and whether the controls might distort
capital flows".(12) But the economic distortions and fluctuations, over
which the Canadian government now had negligible control, were under-
stood to be only a small part of a much more profound set of ramifications
for Canada. Realizing this, Eirc Kierans, Quebec's Minister of Revenue,
attacked Ottawa for its complacency in the surrender of Canadian
independence. After a telephone call from the Governor of the Bank of
Canada he was apprised of the one-sided nature of the Canadian-American
relationship: after the telephone conversation, "I realized", recalled
Kierans, "that the whole deal had been negotiated by Rasminsky (Governor
of the Bank of Canada) and Bob Bryce (the Deputy Minister of Finance).
They're able enough, but how can you compete with U.S. presidential
power?"(13) Canada had been forced to accept the guidelines under
threat of the U.S. removal of Canada's exemption from the 1963 interest
equalization tax.(14)

Since the guidelines had been dictated to Canada rather than
complacently accepted, Kierans re-directed his criticisms. In a letter
to the American Secretary of the Treasury in January 1966, Kierans wrote
that the guidelines signified a "major departure in United States economic
and commercial policy" and that as a result Canada was being forced to
deal "not with the disparate and independent decisions of thousands of
businessmen but with hard (U.S.) government policy".(15) Learned that
"international corporations must now serve the aims of U.S. foreign policy", (16) Eierans, allowed nevertheless that the U.S. government policy respecting the outflow of new direct investment was a legitimate American jurisdiction, although misguided in its application. (17) But, he concluded, "I do not believe that you can justify your efforts to direct the reinvestment, dividend and financial policies of Canadian firms. We hope that international companies, unlike armies of occupation, will always have a role to play. To accomplish this they must conduct themselves as true citizens of the host country". (18) And a month later Eierans summarized in a Toronto speech what must also have been the concern of the Canadian government: the U.S. guidelines, he said, represent "a tightening of the American grip on our economy that threatens the attainment of our own economic objectives and are an infringement of our political sovereignty". (19)

Eventually, the Canadian government joined in Eierans' dissent. However, despite "vigorous representations" by the Canadian authorities the United States ruled "that no exception could be made to the guidelines". (20) Finally, at a meeting of the joint Canada-United States Committee on Trade and Economic Affairs attended by six Canadian cabinet ministers in March, Canada publicly expressed its disapproval of the U.S. guidelines policy. The U.S. government recanted. Canada was assured that the American government would not influence Canadian subsidiaries to deviate from "their normal business practices". (21) To add greater weight to this rather bland guarantee, the Canadian government drafted a list of 'principles of good corporate behavior'. (22) Although the adequacy of this code has been strongly questioned (23) and the language of most of the principles gives broad enough scope for violation of the spirit of the principles without necessarily offending
their literal interpretation, two aspects of the list are important. First, at least three of the principles are couched in language which cannot be used to misconstrue their intent. Concretely, it was asked that the boards of directors of corporations in Canada include a majority of Canadians, that the Canadian public be allowed equity participation and that the corporations publish information concerning their financial positions and operations. Second, and perhaps more important, the principles were based upon a claim that corporations in Canada were Canadian corporate citizens. If recognized, this would obviate the premise which is the cornerstone of the American laws of extra-territoriality, i.e., that subsidiaries of American firms are American corporate citizens irrespective of location.

Any potential the principles of good corporate behavior might have had for reasserting Canadian sovereignty and altering the gradual erosion of Canadian independence were short lived. In January 1966, the U.S. guidelines were formally reimposed upon Canada. This time they were mandatory. If Canadian subsidiaries were confused about which directive, the Canadian principles or the U.S. guidelines, they owed allegiance, there is little evidence to indicate it. Which master the subsidiaries indeed served was shown by the massive outflow of funds which poured from Canada to the United States. This caused renewed pressure on the Canadian dollar and a crisis in Ottawa "which ended only when Mr. Sharp, then Minister of Finance, telephoned Mr. Fowler (U.S. Secretary of the Treasury) and asked him to tell the American firms to tell their Canadian subsidiaries to take it easy". Again, the U.S. granted Canadian exemption, but the price was high. One half of Canada's current foreign exchange reserves was to
be converted to U.S. securities. These reserves could only be used at
the discretion of the U.S. Secretary of the Treasury. This further con-
cession was granted on March 7, 1968, leaving Canada with the dubious
distinction of being "alone among the countries of the world"(26) for
having her U.S. dollar reserves held at the behest of the U.S. Treasury.
Moreover, Canada agreed to regulate Canadian financial institutions
and corporations "to ensure that your balance of payments position is in
no way impaired".(27) In summary, and in the words of Judd Polk of the
U.S. Chamber of Commerce, "the price of access to capital (was) 100%'
alignment of Canadian financial policy with U.S. capital controls."

One of the guidelines which was applied to Canada was not intro-
duced, it seems, to protect the U.S. balance of payments. Instead,
according to W.E. McLaughlin, Chairman of the Royal Bank of Canada, it
was a"retaliatory measure against Canadian failure to allow agencies of
foreign banks into Canada, coupled with the punitive measure in the 1967
Bank Act .."(29) If this is true, then it is evident that the U.S.
government has been willing to bring sanctions against Canada in one
area for having opposed the U.S. interest in another. Put quite simply,
the story of the prior incident is as follows: National City Bank of
New York, a Rockefeller bank, wanted to acquire 100 per cent interest in
the Mercantile Bank of Montreal which was then owned by Dutch interests.
National City applied to the Bank of Canada and the Canadian Minister of
Finance for permission to buy the bank in 1963. Permission was not
granted largely on the grounds that Mercantile would then fall under the
aegis of American laws of extraterritoriality, thereby fragmenting the
uniquely centralized structure of the Canadian banking system. Moreover,
National City was warned that forthcoming revisions in the Bank Act would
prohibit such takeovers. Without informing the Canadian government,
National City proceeded to buy Mercantile. After a long battle over the issue between National City and the U.S. State Department on the one hand (30) and the Canadian government on the other, a compromise was struck whereby Mercantile was to divest itself of American controls over a period of five years. In effect, Mercantile was granted a five-year postponement, a period of grace, before the terms of the Canadian Bank Act would be applied to it (31). J.S. Rockefeller, chairman of National City, was less than satisfied by the outcome, however. If McLaughlin's assertion is true, it may be a measure of his dissatisfaction and his influence in Washington that the punitive U.S. guideline was enacted within a year of the Canadian decision (32).

In gaining exemption from the U.S. guidelines, Canada reimposed many of them as part of the agreement. As well as performing regulatory functions on behalf of the U.S. balance of payments objectives, Canada "forfeited the remnants of its monetary independence" (33). With American insistence that Canada retain a fixed exchange rate (34) with the concessions of 1963 and 1965, and latterly with the new arrangement concerning Canada's foreign exchange reserves, the ability of the Canadian government to manipulate fiscal and monetary controls became negligible. Although, as Levitt points out, Canadian monetary policy has had only limited effectiveness prior to 1963 as a result of the openness of Canada to large capital movements, these limitations have only been exacerbated by the later concessions. Certainly it is also readily understandable that fiscal controls, in an economy where the overall investment decisions of the largest corporations are made by a foreign government, are of dubious utility. Instead, it is evident that "Canadian monetary and fiscal policies have both been harnessed to serve the U.S. Treasury in their efforts to close the U.S. balance of payments gap and protect the
value of their dollar. This is indeed the classical position of a colonial economy". (35)

The history of U.S. balance of payments controls regulating U.S. multinational corporations, has been closely paralleled by the decline of Canadian political independence. At each turn of that history, Canada has been forced to make further concessions - concessions which imply strict delimitation not only of policy discretion in matters directly related to the subsidiaries of U.S. multinational corporations, but also of discretion in other matters of central economic and political importance: the tools of economic regulation, basic financial institutions and foreign policy. None of these concessions, as has been shown, would have been necessary except for the presence of U.S. direct investment in Canada.

B. The Time and Reader's Digest Affair

There are few instances in the recent history of the relationship between continental economic integration and its effect upon Canadian political independence which illustrate quite so clearly the strength of the causal link between the two, as the 'Time and Reader's Digest Affair'. The affair, in outline, is rather easy to describe. It consists of two separate but similar sets of events. Twice it became the policy of the Canadian government to tax the Canadian advertising revenues of American-owned publications operating through branch firms in Canada. On both occasions this policy was openly opposed by the U.S. government. And in each instance, the Canadian government revoked its policy. It is the purpose of this analysis of the affair to assess the importance of the particular legislative issue (i.e. regulation through taxation of the U.S. periodical industry in Canada) to the Canadian
government, to ascertain the relationship between U.S. government opposition and the Canadian government's reversal of policy, and to determine the importance of continental economic integration as a determining factor behind this relationship.

The chief merits of this particular study are fourfold. First, as will be argued presently, the branch corporations under review have a singular political and cultural significance which is much greater than that which obtains for the branch corporations of most other American firms in Canada. Second, the incidents which describe the affair were repeated in substantially similar ways, bringing to light the same political relationships and eliciting the same results. Moreover, they occurred during periods in which two different Canadian governments and three different American presidents were in power. This implies that the relationships between the Canadian and American governments and the goals they pursue hold with a certain consistency and uniformly irrespective of which particular Canadian and American government is in office.

Such variables as party affiliation, the idiosyncrasies of leadership and the strength of the governments have reduced salience. Thus, the study is conducive of an understanding of the modalities of a basic Canadian-American configuration of power relations rather than just a particular (e.g. Conservative government-Republican government, Pearson-Kennedy, strong government-weak government) configuration of power relations. In short, the study is amenable to insights into a pattern of relations which have potential for generalization beyond that which could be argued if the set of incidents occurred only once or if the political relationships manifested were specific only to one Canadian and one American government. Third, and as a corollary of the second merit, the study involves instances of conflict which have strong claim to being
considered conflicts over 'national interest'. It is noteworthy that in no instance did the Canadian government decision to tax the magazines meet any significant opposition within either Parliament or the country as a whole. Only when the Canadian government retracted its policy was opposition forthcoming. Similarly, there is no indication that the American government policies were opposed by any quarter in that country. The policies of the governments involved cannot, then, be considered merely partisan policies. From this perspective the Canadian-American conflicts were between two national interests approximated by a national political-consensus. Fourth, this study has the more mundane but perhaps more crucial virtue of having been better documented than other comparable Canadian-American conflicts of recent vintage.

The importance attached by Canadian governments to their ability to decide and enforce policies regulating a) the American news industry in Canada in general and b) Time and Reader's Digest in particular, will be considered from two vantage points. The first focuses upon the economic weight of the American press in Canada and the second centres upon its cultural and political influence.

At the general level, it is apparent that the expansion of the American news industry into the Canadian market is a phenomenon of prominence in economic terms: both directly and indirectly large segments of this sector of the economy are controlled and dominated by American newspapers and magazines. For some time, American paramountcy in the magazine field has been of singularly striking proportions. In 1959, there were at least fifty U.S. magazines each having a circulation of over twenty thousand per issue in Canada. Twenty of these had a com-
hired circulation of more than thirty million. That there are only five English-Canadian magazines with a circulation in excess of twenty thousand, indicates that the proportion of the total Canadian market maintained by Canadian magazines is markedly inferior to that of American magazines. It constitutes a distinctly insufficient counterweight to the influx of American magazines. Moreover, the Canadian segment of the market has been experiencing a relative decline since 1959. The major factor determining this relative decline appears to be the advantages of scale in printing, publication, promotion and distribution which accrue to American magazines with a large domestic (U.S.) consumption - an advantage for which Canadian magazines, operating in a much smaller domestic market, cannot be expected to contend. There is an advantage, on the other hand, which does apply to Canadian magazines over their American counterparts: the special orientation of Canadian magazines to Canadian issues and interests in the form of a higher Canadian content. But both the importance of this advantage and the ability of Canadian magazines to exploit it, has diminished over time. Its pertinence is a function of the maintenance of Canadian particularisms and of the capacity of Canadian periodicals to speak to these particularisms. But it is a legacy, in part, of the continental thrust of the U.S. news industry, that the economic bases for these particularisms are being reduced. In addition, such particularisms are being gradually absorbed by the broad diffusion of American culture attending continental integration and homogenization. Finally, and paradoxically, there is evidence that Canadian magazines have declined to accept, in full, the advantages available to them. Instead of differentiating themselves from American magazines, they have shown a tendency to emulate them. For various reasons which will be explained later, Maclean's, one of the principal
Canadian magazines, has adopted the format and lay-out of *Time* magazine. While it would be inaccurate to state that the subject matter in *Maclean's* magazine is less heavily Canadian than it once was, the journalistic approach to the subject matter has for long had more in common with the approach employed by major U.S. magazines. George Grant has dubbed this the "personalized" form of political journalism and avowed that it has some culpability for certain popular pseudo-justifications which have made Liberal continentalist policies, for example, more palatable to the Canadian public. (42)

In addition to the above advantages there is a set of commercial dependencies which also help to account for the high degree of American penetration into the Canadian news market. These dependencies also help to explain the great similarities between American and 'Canadian' journalism. Many of the larger Canadian newspapers, for example, rely heavily upon American news services for their international copy and subscribe to such wire services as Associated Press, Chicago Daily News Service and the Washington Post-Los Angeles Times News Service. (43)

Again partially because of the small size of the Canadian market in relation to the American market, it is not profitable for these news services to take the special interests and preferences of the Canadian market into consideration. Hence both the American and Canadian publics read the same international news. This also extends to most of the popular "boilerplate" found in Canadian newspapers, e.g., nearly all the comics, Art Buchwald, Ann Landers, Dr. Alvarez, Uncle Ray's Corner, the horoscope, etc. (44) Even the sole Canadian wire service, Canadian Press, is a "cooperative effort of the publishers, based on the Associated Press of the United States" (45), and obtains most of its foreign news copy from its New York office "where a small group of editors rewrite the news they
receive from the Associated Press (U.S.) and Reuters (Great Britain). These dependencies and affiliations lead to the summary conclusion that "almost all the international news which (Canadians) read in the daily-newspaper is written by foreigners", most of whom are Americans.

From either vantage point, the direct penetration of the Canadian market or indirect penetration via the myriad dependencies of Canadian sources, the U.S. hold on the Canadian news market appears to be substantial. By reason of the degree of economic penetration alone, and leaving aside the economic impact of other American media such as television and radio, the concern of the Canadian government to be able to decide policy regulating American publications in Canada is understandable.

But the importance attached to the American news industry by the Canadian government involves far more than narrow economic considerations. For obviously the news industry, by its very nature, plays more than just an economic role; it performs significant cultural and political roles as well, each with broad ramifications for Canadian independence. True, there is some dispute regarding how much political and cultural influence the fifth estate can exercise. But note, the question is not one of whether the press has political and cultural influence, but rather the degree of its influence. If it is granted that the press plays some independent part in influencing the public and if it is granted that the American press will tend to promote American political and cultural perspectives, then the penetration of the American news industry into the Canadian market can be seen to have more than just economic implications. To the degree that the dissemination of American symbols, values, issues and information by the American press impinges upon the consciousness of
the Canadian public, it gives rise to an American 'world view' in Canada, or, in the final analysis, a North American world view. And to this extent it plays a role in the cultural homogenization of North America. (49) More specifically with respect to American periodicals "the consumption of American periodicals in Canada is an ideological counterpart of the external control of the economic system". (50)

But even if the influence of the American press in Canada were in reality, less than is conventionally assumed, this would not affect the argument. For the press is perceived to be important and influential by the Canadian governments. That is, it is held by politicians to be a decisive political factor. "There lies the secret of the rising power of the press", in Canada, according to Maurice Lamontagne. (51) "If he (the politician) enjoys a good press, he will be envied ... if he has no press, he has no future. And, if he has a bad press, he is in serious trouble." (52) The fact that politicians think the press is powerful gives the press power. Its influence upon politics does not have to be derivative of its influence upon the public. The shorter route is via its influence upon the politician.

Thus, and from each of these viewpoints, the presence of the American news industry in Canada is imbued with more than mere economic importance by the Canadian government. And the arguments adduced regarding the economic, cultural and political importance of the American press generally, apply just as readily with reference to the particular examples of Time and Reader's Digest.

As testimony to the economic weight of the two magazines, two measures are available. First, the circulations of Time and Reader's Digest in Canada in 1959 were 210,000 and one million respectively. (53) In the last ten years the Reader's Digest circulation has increased by
100,000 to 1.1 million (54) and that of *Time* has increased over 100 per cent to 460,000. (55) A second measure of their economic prominence is their share of Canadian advertising revenue: by 1969, the advertising accounts of *Time* and *Reader's Digest* together had risen to a value of $14 million or "51.5 per cent of the existing magazine market". (56) By contrast, their nearest Canadian rival, the Maclean-Hunter group of publications, had lost about five per cent of its share of Canadian advertising revenue in the last eight years (from over 46 per cent in 1961 to 41.4 per cent in 1969 (57).) Too, the most popular Maclean-Hunter magazine, *Maclean's*, has been operating at a deficit since 1960. *Maclean's*, it should be noted, is the magazine which has in the past competed most directly with *Time* and *Reader's Digest* for readership. It appeals to the same upper-middle class tastes, and offers the same rather shallow and synoptic kind of journalism. "The basic cause of *Maclean's* shrinking share of revenue has been of course, *Time's* and *Reader's Digest's* ability to sell advertising space at a discount". (58) As a result there is speculation that "Maclean-Hunter will ditch *Macleans* if it continues to lose great sums of money". (59) It would appear that *Time* and *Reader's Digest's* penetration of the Canadian magazine market has led not only to its domination the market but may eventually lead to the elimination of their strongest Canadian 'rival'. (60)

Consonant with other American magazines, *Time* and *Reader's Digest* derive their economic superiority over Canadian competitors from a number of advantages of scale. Not least of these has been the fact that the Canadian editions of the two magazines obtain over 90 per cent of their editorial copy from the American parent corporation, (61) which, in turn, services an American and international market next to which the Canadian market pales into insignificance.
The economic power of **Time** and **Reader's Digest** in Canada is easily demonstrable, as are its major causes. The political and cultural importance of **Time** and **Reader's Digest** is much more difficult to gauge. Certainly the direction of their cultural and political influence favours the imprinting of American political and cultural interests and values upon its Canadian readership. Only a few pages of the Canadian edition of **Time** concern Canadian affairs, and **Reader's Digest** has an even weaker claim to being considered a Canadian-oriented publication. Interestingly, the director of **Time Canada** once pleaded to have his magazine considered "in all essential respects a Canadian periodical, having regard to the character and quality of its contents and the nature of its publishing operation". On both counts the evidence belies the argument. **Time** has minimal Canadian content, and it is published by American nationals working for American branch plants. Incidentally, while the Canadian director of **Time** wished to have his magazine considered Canadian, even the editor-in-chief of **Time** contradicted him at the same hearing before a Canadian Royal Commission by stating, categorically, "I do not consider **Time** a Canadian magazine".

The American credentials of the two magazines having been established by both its content and the nationality of their publishers, editors and reporters, the relevant consideration becomes that of its influence both upon the Canadian public generally and upon Canadian politicians specifically. Their influence can only be ascertained indirectly. One rough measure would be the size of their circulations in Canada, which, as pointed out previously, are substantial. A second rough measure may be derived from an examination of the composition of their Canadian readerships. It has been reported that in 1965 the average income of **Time** subscribers was $13,000 a year. This figure places
the average subscriber in the top one fifth of the Canadian population as measure by income. (66) Since higher income tends to be correlated with higher education in Canada (67) and since, in general, higher education and income together tend to be associated with higher levels of political interest and awareness and higher rates of political participation, it could be concluded that, in general, Time's readership comprises the most politically effective elements of the Canadian population. This may be used as a crude but significant indicator of Time's political influence.

At least one example of Time's importance to Canadian politicians has been documented. Early in 1958, after Time had carried a very flattering cover story about Prime Minister Diefenbaker, Time's publisher traveled to Ottawa and presented him with the original oil painting used on the cover. It is indicative of the significance that Diefenbaker attached to the maintenance of a good relationship with Time that he invited the publisher to a private luncheon and later attended a Time cocktail party. (68) A year later, when Time was becoming disenchanted with the Diefenbaker administration and had printed editorials critical of the Prime Minister, he became visibly upset. He called in Time's Ottawa Bureau Chief and said he was "the best friend Time ever had in Canada and that if the magazine continued to criticize the administration, he would "expose" Time in the Commons". (69)

Both from the vantage point of its circulation and the composition of its readership and by virtue of the influence it has upon Canadian politicians it may not be an overstatement that the head of the Canadian section of Time is the "most powerful newspaperman in Canada". (70)

Whether by virtue of their share of advertising revenue or the size of their circulation or the composition of their readership or the
attitudes of Canadian politicians, it is apparent that *Time* and *Reader's Digest* are a substantial American economic, political and cultural force in Canada, in their own right. But as events were to uncover, the greatest political significance of the two did not devolve from any independent attitudes of the publications themselves; it derived instead from an alliance between them and the United States government. It was this important relationship between the American press establishment and U.S. governmental power which was brought to light on successive occasions when the Canadian government tried to exercise its prerogative to tax the Canadian advertising revenues of *Time* and *Reader's Digest*.

In 1956, Liberal Finance Minister Walter Harris, out of deference to the appeals of a declining Canadian magazine industry, decided to impose a 20 per cent tax on the advertising revenues of the Canadian editions of *Time* and *Reader's Digest*. Shortly thereafter the Liberal regime was succeeded by the Conservative government of John Diefenbaker. In 1958 it was announced in the Conservative budget that the surtax would be repealed. Three factors help to account for this repeal. First, ever since 1957 the "*Time and Digest* organizations had been actively lobbying in the Canadian capital". (71) Second, this was a period of "one of the sweetest political-journalistic romances in Canadian history" (72) - between Diefenbaker and *Time*. And third, the American government had been applying pressure on behalf of repeal. "During the initial meeting between Dwight Eisenhower and John Diefenbaker, one of the President's first questions was 'What are you doing to our *Time* magazine up there?'" (73) How much this third factor weighed in the decision can only be the subject of speculation.

Two years later, Diefenbaker appointed a Royal Commission headed by Senator Grattan O'Leary to enquire into the problems of Canadian
publications. The commission report, when it was tabled in 1961, recommended that the taxes on Time and Reader's Digest be reinstated. However, "despite the Prime Minister's frequently repeated pledge to implement the (O'Leary) report's recommendations, nothing was done".(74) But by this time the determining factors behind the government's non-decision had been reduced to one. As pointed out previously, the Time-Diefenbaker relationship had deteriorated badly. The Time lobby, whose prime weapon was the threat of bad press could no longer make the threat meaningful. Moreover, the Prime Minister's own stated preference for the reimposition of taxes had now been bolstered authoritatively by the findings and recommendations of a Royal Commission Report. The one remaining critical factor was pressure from the U.S. government: just nine hours after the report, the White House called Ottawa "warning that implementation of the commission's findings would result in the immediate cancellation of a major United States aircraft components contract."(75) The contract was scheduled to go to Canadair Limited of Montreal, a subsidiary of the American-owned General Dynamics Corporation. The White House was capitalizing upon its ability to exert economic sanctions in one sector of the Canadian economy in order to change Canadian government policy in another. Very shortly after the threat was made, Diefenbaker announced that Time and Reader's Digest would be given a 50 per cent tax exemption. A year later the government proposed that the two magazines be exempted entirely. Aside from this American threat, no other reason has ever been given as a cause for Diefenbaker's reneging on his pledge to implement the recommendations of the Royal Commission.

Four years later, the issue of taxation of Time and Reader's Digest arose again; but this time under the Liberal Pearson administration. The Minister of Finance, Walter Gordon, introduced a budget in 1965 which
included a measure disallowing tax deductible advertising in any foreign-owned newspapers and periodicals in Canada. Again the United States government expressed vehement opposition. Judy Lamarsh, a cabinet minister at the time, notes in her memoirs that "we heard dark mutterings of U.S. government retaliation if we disturbed the empire of the American publishing giant, Henry Luce, who certainly seemed to have excellent connections with the White House". (77) She concluded that Canadian policy in general had to be formulated "without overly disturbing the giant to the South to the point of forceful economic retaliation". (78) Her observations are supported with specific reference to Time and Reader's Digest by a senior Canadian civil servant: "I had the impression that if we dared touch the Canadian operations of Time and Digest, the State Department would view it as far more serious than if, for instance, we sold armed tanks to Fidel Castro". (79) These impressions were later given concrete substance when the State Department specifically threatened that if the tax exemptions were not retained "Canada's quota on exports of oil to the United States would have to be reviewed". (80) In addition, Walter Gordon has asserted that "approval of the (automobile) agreement (between Canada and the United States) might have been jeopardized if a serious dispute with Washington had arisen over Time". (81)

In the face of these threats, both general and specific, tacit and manifest, a severe split developed within the Liberal government. The Liberal cabinet, as well as the Liberal caucus, was divided. A large majority in the caucus remained opposed to exemption of Time and Reader's Digest but, notes an ex-Liberal M.P., "the Cabinet was a bit more split, being closer no doubt, to political reality. The 'political reality' in this instance was quite simply, fear of American retaliation." (82)
Eventually the pro-exemption factions in the cabinet, headed by C.M. Drury, whose constituency in Montreal includes the Reader's Digest head office and plant, gained ascendancy. Despite the fact that a majority of the cabinet now recommended exemption, most of the Liberal M.P.s remained opposed. The continuing split forced the Liberal government to undergo a trial of survival. Submitting a resolution on behalf of exemption, the government declared that the vote would be viewed as a test of confidence. The cabinet stood behind exemption with little enthusiasm. Walter Gordon maintains that "steering this part (i.e. exemption) of the legislation through the House of Commons ... was one of the most unpalatable jobs I had to do during my period in government". Even though the cabinet made a vigorous appeal on behalf of party unity if not for the legislation itself, and even though the vote of confidence would be difficult to achieve given that the Liberals maintained only a minority of seats in the Commons, thirty-one Liberals refused to assent and absented themselves during the vote. Because the opposition did not press its advantage, the government held during the vote of confidence. But the motion was passed under the following admonition of Senator O'Leary:

"If this House votes for this legislation, it will be voting for the proposition that Washington has a right to interfere in a matter of purely Canadian concern, and voting a possible death sentence on Canada's periodical press, with all this can entail for our future voyage through history."(86)

At the present time, the Trudeau government has been advised by both a Senate Special Committee and a Commons Standing Committee that the Time and Reader's Digest tax exemptions should be withdrawn. As yet the government has ignored this advice. However, a number of
important factors have changed. Not least of these is the fact that the Canadian magazine industry is no longer opposed to the exemption. Why? - because the Canadian magazine industry has not only learned to live with *Time* and *Reader's Digest* - it cannot, it seems, exist without them. The publisher of *Saturday Night*, one of the few major Canadian magazines, reported to the Special Senate Committee, mentioned above, that "without the *Reader's Digest* and *Time* magazine there wouldn't be a magazine industry in Canada". (89) The reasons for this are threefold. First, *Time* supports Canadian magazines by paying for advertising space in them. Second, and probably more importantly, *Time International of Canada Ltd.*, *the Reader's Digest Association (Canada) Ltd.*, and *Maclean-Hunter Ltd.*, together with a few smaller Canadian concerns, have joined in an advertising syndicate called the Magazine Advertising Bureau of Canada. (90) Together the publishing concerns share a pool of advertising. In effect, the Canadian magazines "ride on the backs of *Time* and *Reader's Digest* which pull in the largest portion of the ads". (91) A third factor is that the "*Time* lobby" is no longer an "outside" lobby; it has supporters both in the Liberal Cabinet (C.M. Drury has been labelled by some reporters "*Time's Cabinet Minister"*) (92) and among Canadians with considerable political sawy such as Dalton Camp, ex-National Director of the Progressive Conservative Party. (93)

In retrospect, the 'Time and *Reader's Digest* affair' represents a clearcut case for the proposition that when American economic and political interests in Canada are inconsistent with the interests of the Canadian government, the U.S. government has sufficient leverage, by virtue of the economic dependence of Canada upon the U.S. to prevent the Canadian government from implementing policies it strongly prefers. More specifically, the prime levers which the American government uses
are the branch plants and subsidiaries of American corporations in Canada, together with Canada's dependence upon its trade ties with the American economy. Almost exclusively, according to available evidence, the sanctions entertained by the American government were derivative of the force of economic continentalism. In 1961, the United States threatened to withdraw a production contract which was to be filled by a Canadian subsidiary of an American multinational corporation. Similarly, in 1965, the lever employed was a threat to rescind an agreement to have Canadian subsidiaries of American multinational corporations produce automobile parts in Canada. As well, the American government threatened to deprive oil companies in Canada, most of which are American, of opportunities to export oil to the U.S.

It is ironic that, today, because the Canadian government capitulated and the American government did not follow through on its threats, that Canada is even more dependent upon U.S. multinational corporations than it was before. This is true of more than the American news industry. It applies with even greater import to those areas of the Canadian economy which the American government used to force concessions. Canadair Ltd., to which the U.S. aircraft components contract went, is only part of a large defence production sector in Canada, which has grown increasingly dependent upon the American demand for military hardware.(94) Due to the auto parts agreement, the Canadian economy has become dependent upon subsidiaries of American automobile corporations which now produce Canada's leading export: automobile parts.(95) And currently one of the most sensitive areas involving the Canadian and American governments is that of a continental energy policy, particularly with respect to Canadian oil. A recent report to President Nixon centres its analysis upon the threat to American national security which would
occur if there were any reduction or break in supplies of Canadian oil to the U.S. (96) In this last case, it is not merely a matter of Canada relying upon U.S. demand for oil; it is more crucially a matter of the United States depending upon the Canadian supply for national security reasons. This broaches a very critical dimension of continental economic integration: if, for political and economic reasons, the U.S. was not willing to permit Canadian taxation of Time and Reader's Digest, how much discretion will the United States government be willing to allow the Canadian government in the regulation of a sector of the Canadian economy which impinges directly upon American national security? The implicit answer does not bode well for the remnants of Canadian political independence. In the words of one concerned analyst of this question: "an energy deal will only come about if the Canadian government agrees never to interfere with the resource sector of the Canadian economy". (97)

Paradoxically, the very favours which the Canadian government received from the American government, i.e., non-implementation of sanctions, in return for the abridgement of Canadian political independence in the Time and Reader's Digest affair, have become the basis for further losses of Canadian political independence. This has been seen with respect to each of the sanctions threatened by Washington in 1961 and 1965. No clearer case could be shown to sustain the contention that economic dependence upon American multinational corporations and political dependence upon the U.S. government are part of a single cumulative process which, at some juncture, becomes self-sustaining.
FOOTNOTES - CHAPTER 3

(1) Kari Levitt, Silent Surrender, Toronto, Macmillan Co. of Canada Ltd., 1970, p.10. The emphasis is mine. It may be an exaggeration to assert that "friendly persuasion" was the only factor inducing such wholesale conformity. There have been other cases where such persuasion was used as only the first tool of presidential power. In the case of the Kennedy administration's request for reductions in steel price increases, persuasion was followed by the threat of more substantial forms of presidential power when U.S. Steel refused to comply. For a more detailed account of this particular episode, see A.M. Schlesinger A Thousand Days, Boston, Houghton-Mifflin Co., 1965, pp.634-640. That this incident occurred less than three years previously would make its memory relatively undiminished in the minds of the American corporate community.


(3) The concessions were made after the United States imposed an interest-equalization tax affecting the purchase of Canadian securities on the New York market. The announcement of the new Tax had caused "panic (on) the Toronto Stock Exchange and ... a serious run on Canada's foreign exchange reserves", undermining the stability of the Canadian dollar. Ibid. This earlier incident is but another illustration of the intimate relationship between economic and political dependence. Commenting upon these concessions, the president of the Royal Bank of Canada contended that under "the new arrangements, our own monetary authorities appear to be attached to a string ... the business end of which is held in Washington". Cited in Levitt, op.cit., p.12.


The full extent to which the Canadian government has allowed Canadian defence planning and policy to be formulated in the U.S. is not known. One rather incredible study asserts that Canadian arms manufacturers must have their foreign contracts cleared by the U.S. Department of Defense and quotes another source to the same effect. For this information

(7) For example, Philip Resnick argues from both of these perspectives. He asserts that American and Canadian political elites have "shared liberal perceptions" and that corporations on both sides of the border have common economic goals. Hence, the foreign policy similarities between Canada and the United States exist both because of "free will" and because of Canadian economic dependency. He adds that given this convergence "what could be more natural than a meshing of defence and foreign policy objectives?" "Canadian War Industries and Vietnam", loc.cit., pp.18-19.

(8) Pearson's central criticism, which focused upon the American bombing of North Vietnam is quoted by James Bayrs, Minutes of the Sixties, Toronto, Macmillan of Canada, 1968, pp.43-44.

(9) Speech by Prime Minister Pearson in the House of Commons, May 24, 1967, Statements and speeches, no.67/20, Information Division, Department of External Affairs, Ottawa.

(10) Macleans, July 1, 1967. In the earlier speech, Pearson had implied that calling on the United States to stop the bombing would have been viewed as unfriendly: the criticism had not been officially made "by any other parliament friendly to the United States" he said. Speech, no.67/20, loc.cit., p.3.


(12) Ibid.


(14) A day before the U.S. Department of Commerce announced the guidelines on December 6, Mitchell Sharp had told the House of Commons that Canada had retained exemption from the interest equalization tax in return for a Canadian agreement to purchase bonds from the U.S. when Canada's American dollar requirements exceeded a certain ceiling. He failed to mention the further concessions this exemption involved. Ibid.


(16) Ibid.

(17) Kierans pointed out that the United States was already receiving a greater return from foreign direct investment than it spent in new investment, both on a world-wide basis and with respect to Canada. The U.S. balance of payments deficit was not caused by direct investment flows. It was due to American "obligations" in Vietnam, etc. Ibid., p.49.

(18) Ibid., p.51.

(19) Ibid.

(21) These assurances were paraphrased in a Canadian government communiqué issued March 6, 1965. Cited in Godfrey and Watkins, op.cit., p. 51.

(22) Most of the principles are listed in ibid., p.52.

(23) The Report of the Task Force on the Structure of Canadian Industry, Queen's Printer, 1968; (hereafter called the Watkins Report) maintained that the principles were insufficient unless revised and made mandatory. In the words of one director of American multinational corporations "most of the subjects dealt within the guidelines are so general in their terms as to be meaningless - capable of being publicly supported by anybody, but not specific enough to cause any real change in corporate policy which may have been designed to serve objectives other than Canadian". Maxwell W. Mackenzie, director of RCA Ltd., and other U.S. corporations, in an article in Canadian Business Magazine, November, 1969,

(24) It is uncertain how much progress has been made in regard to the first two principles but the third has been at least partly effective viz. Inter-Corporate Ownership, Ottawa, Queen's Printer, 1967, 1969.

(25) M.H. Watkins, "Economics and Mystification", Journal of Canadian Studies, February, 1969, p.58. Watkins makes the added comment: "Just for a moment the power grid was lit up. Ottawa found it could communicate with Canadian incorporated firms only through Washington".

(26) Wahn Report, op.cit., p.15. The Report is quoting a submission by W. Earle McLaughlin, President of the Royal Bank of Canada. Strangely, the interest yield on the U.S. securities has not been made known to the Canadian public, according to McLaughlin.


(29) Wahn Report, op.cit., p.16. McLaughlin was referring to the American stipulation that prevented Canadian banks from accepting U.S. dollar deposits from American residents even if those deposits were to be re-lent to other U.S. residents.

(30) Some of the actions of the U.S. State Department were ridiculously petty. The U.S. Ambassador, for example, apparently gave a conference where he openly derided Walter Gordon. This "only infuriated the Cabinet and made the Ambassador virtually persona non grata with all of us". Judy Lamarsh Memoirs of a Bird in a Gilded Cage, Toronto, McClelland and Stewart, 1970, p.73.

(31) Details and documents related to this incident are contained in
Godfrey and Watkins, op. cit., pp.26-44 and Peter Newman, Distemper of our Times, op. cit., pp.379-383. During an interview with me in October, 1970, Walter Gordon, who was Finance Minister at the time of the Mercantile incident, explained that he was willing to waive the regulations of the Bank Act if the U.S. government would grant Canadian banks reciprocal entry. If Canadian banks had been allowed to set up branches in the U.S., he explained, they would have been in an enormously advantageous competitive position, given their large size relative to U.S. banks and given their experience in setting up branch banks elsewhere in the world. But the U.S. refused to grant reciprocity. See also Walter Gordon, A Choice for Canada, op. cit., pp.94-95, for more of Gordon's impressions and objections and objectives related to this incident.

(32) Despite McLaughlin's accusation and its strong plausibility, it must be acceded that no sufficient relationship between the Mercantile incident and the U.S. guideline has yet been demonstrated.

(33) Levitt, op. cit., p.13.

(34) According to Dr. W.E. Clendenning of Richardson Securities as paraphrased in ibid. p.14, "any effort on the part of Canada to return to a flexible exchange rate, or to revalue upward the Canadian dollar would bring retaliation from Washington in the form of withdrawal of exemption from the balance of payments restrictions on capital flows to Canada".

(35) Ibid., p.15.

(36) The first set of incidents involved a conflict between a Progressive Conservative Government and a Republican executive. The second set of incidents occurred when a Liberal government was in power in Ottawa and a Democratic administration held sway in Washington.

(37) The Diefenbaker administration overlapped with the Eisenhower and Kennedy years. Diefenbaker's relationship with Eisenhower, by all accounts, was a cordial one. His relationship with Kennedy was less so. George Grant notes that Kennedy's antipathy to Diefenbaker was such that he exerted "great pressure" for the "overthrow of his (Diefenbaker's) regime". Lament for a Nation, Toronto, McClelland and Stewart Ltd., 1965, p.29. Conversely, the Pearson-Kennedy relationship was quite amiable, as was the Pearson-Johnson relationship, at least during the time spanned by these events.

(38) The variation between the strength of the Diefenbaker government in 1961 and the Pearson government in 1965 was extreme. Diefenbaker commanded, in 1961, the largest majority in Parliament ever attained by any Canadian government. Pearson, on the other hand, was burdened by minority status in the Commons. Because strong party discipline is not a feature of American politics and because the executive functions are less contingent upon the support of the legislative branch, the relative power of the Eisenhower, Kennedy and Johnson administrations are more difficult to compare. A partial indicator would be the relative strength of the executive party in the American Congress. Eisenhower's Republican administration was faced with a Democratic Congress, whereas during the Kennedy and Johnson years the Democrats controlled both branches of government. As will be seen, the variations in strength between
the Diefenbaker and Pearson governments and between the Eisenhower, Kennedy and Johnson governments do not seem to have had much bearing upon the outcome of the conflict between the Canadian and U.S. governments.

(39) These figures are from the appendix of the submission of the periodical Press Association to the Royal Commission on Publications, Proceedings of the Royal Commission on Publications, Ottawa, Queen's Printer, 1961. Excluded from the findings are pulp magazines such as children's comics and romance stories. The data are cited in John Porter, The Vertical Mosaic, Toronto, University of Toronto Press, 1969, p.465.

(40) This factor was singled out to account for the growing predominance of U.S. magazines in Canada by a recent Canadian Commons Committee report: American periodicals have a "significant advantage over Canadian periodicals by virtue of their large scale of operations". Eleventh Report of the Standing Committee on External Affairs and National Defence Respecting Canada-U.S. Relations, Ottawa, Queen's Printer, 1970, p.62.

(41) George Grant has asserted that the diffusion of American cultural values which is concomitant to the advent of American economic dominance in Canada has a profoundly deterministic quality because "the dominance of the United States is identified with the unequivocal victory of the progressive spirit in the West". At another point he maintains that it is not possible for Canada to reject the importation of the American value system without inviting "an alienation far greater than the simply political" "Canadian Fate and Imperialism" in George Grant, Technology and Empire, Toronto, House of Anansi, 1969, pp.81 and 77 respectively.

For further testimony concerning the close affinity between American culture and American capitalism and the diffusion of the two see H.T. Schiller "The Multinational Corporation as International Communicator"; a paper delivered to the annual meeting of the APSA, September 1970. The nub of the argument is well put in the following segment of that paper:

"Commercially produced entertainment and recreation are the chief channels that convey internationally the values and life-styles of U.S. corporate capitalism, but the information generated directly by the sizeable American business community overseas is imposing and far-reaching in its effects.

... The great American stream of business-financed and commercially saturated communications, pouring through the mass media, are aimed at protecting the physical operations of U.S. enterprises abroad as well as in fostering values and attitudes of privatism and consumerism, which are the ultimate supports of the business system". (Ibid., p.33).

(42) In Lament for a Nation (op.cit., pp.43-44) Grant maintains that the Time style of personalized political journalism adopted by Macleans has done much to reduce the emphasis, in Canada, upon the nature of political decisions. Personalized journalism substitutes an accent upon the motivations behind decisions rather than upon the implications of the decisions themselves. This, he says, has been instrumental in justifying a number of Liberal policies including those which encouraged the American economic take-over of Canada. For further analysis of the "Americanization" of Macleans, see Richard Dahrin, "Maclean's" in Canadian Dimension, vol.5. no.8, pp.16-19. Dahrin observes that as a result of heightened competition from American magazines, Macleans has adopted an editorial policy which
is more consistent with American interests: "under the commercial pressure from *Time*, *Maclean's* has caved in editorially all the way down the line" (ibid., p.19). In a brief to the Special Senate Committee on Mass Media, *Dimension* made the same observation: "As we all know now, *Maclean's*, during a sensitive commercial period, caused by the market intrusion of *Time* and *Reader's Digest*, curbed editorial freedom and ingratiated itself with advertisers, but failed to appeal boldly and consistently for broad changes in Canadian attitudes to create conditions in which Canadian periodical publishing could flourish". Vol.7, no.3, pp.35-42.

(43) John W. Warnock "All the News it Pays to Print" in Ian Lumsden, ed. *Close the 49th Parallel, etc.*, Toronto, University of Toronto Press, 1970, p.124.

(44) Ibid., p.122.

(45) Ibid., p.124.

(46) Ibid., p.125.


(48) According to a Bureau of Broadcast Measurement survey in 1968, 17 per cent of all Canadian television viewing was directed toward American stations. CTV and CBC (English) accounted for 19 per cent and 35 per cent respectively but "given the preponderance of American programmes (on CTV and CBC), especially in prime time, it is clear that most viewing hours were filled with American programme information". Frank Peers "Oh Say, Can You See?", in Ian Lumsden, op. cit., pp.150-151. This preponderance has, however, presumably been somewhat reduced by the recent Canadian Radio-Television Commission regulations raising the Canadian content of radio and T.V. programming of Canadian-owned radio and T.V. stations.

The importance of the media in general and broadcasting in particular to the preservation of a Canadian identity has long been axiomatic with Canadian political elites. Speaking for the Royal Commission on National Development in the Arts, Letters and Sciences, Vincent Massey asserted that it "was our view that the importance of the CBC as an instrument for the promotion of Canadian unity and the strengthening of Canadian identity could hardly be overstated", in *What's Past is Prologue*, Toronto, Macmillan Co. of Canada, 1963, p.454.

(49) For a more intensive consideration of the important relationship between communication and cultural integration see, for example, K.W. Deutsch, *Nationalism and Social Communication*, Cambridge, The M.I.T. Press, 1960, esp. chap.5. It is noteworthy that a focus upon communication patterns is one of the main segments of neo-functionalist integration theory.

(50) Porter, op. cit., p.461. This view has been supported, by, among others, L.B. Pearson, who was quoted in a *Toronto Daily Star* article on May 2, 1968, as saying: "The industrial and economic and financial penetration from the south worries me, but less than the penetration of American ideas, of the flow of information about all things American."
(51) Maurice Lamontagne "The Influence of the Politician", Canadian Public Administration, Vol. 11, no. 3, p. 270.

(52) Ibid. Lamontagne is describing the politician's own view.

(53) The great differential in circulation figures is accounted for by the fact that Time is a weekly publication while Reader's Digest is a monthly publication. The source for the figures is Porter, op. cit., p. 465. (See footnote 39 of this chapter).

(54) Figure cited by Richard Dahrin, loc. cit., p. 18.

(55) This figure was given in "An Anatomy of the Time Canada Lobby and How it Controls What is Published", Last Post, vol. 1, no. 4, p. 23.

(56) Ibid., p. 22.

(57) Ibid., pp. 21 and 22.


(59) Ibid., p. 19.

(60) As will be seen presently, there is strong evidence that Macleans no longer competes with Time but acts in tandem with it.

(61) Last Post, vol. 1, no. 4, p. 21.


(63) As pointed out previously, only a few pages of Time are devoted to Canadian issues. At the time the statement was made the Canadian section of the magazine "was written and edited in New York at offices in Rockefeller Centre, by a staff of ten (only one of whom ... was Canadian)", Last Post, op. cit., p. 21. And to this day the Time Canada Edition is published by Time International of Canada Ltd., a branch of American parent and printed by Ronalds-Federated Limited, a subsidiary of Grove Press of New York. Similarly, the Canadian edition of Reader's Digest is both printed and published by the Reader's Digest Association (Canada) Ltd., a branch of the American parent.

(64) Quoted by Peter Newman in The Distemper of Our Times, op. cit., p. 208.

(65) Levitt, op. cit., p. 7.

(66) According to the Economic Council of Canada the average income per family (non-farm) in 1965 was $13,016 for those in the top one-fifth of Canadian families. See Fifth Annual Review: The Challenge of Growth and Change, Ottawa, Queen's Printer, 1968, chapter 6.

(67) Porter, op. cit., chapter VI.

(69) Ibid., p.238.

(70) This is the appraisal of a federal cabinet minister. Levitt, op.cit., p.7. Others who subscribe to the view that Time is a powerful force in Canada include John Diefenbaker: "the magazine "has devoted itself to interpreting the news and re-writing it so as to direct Canadian thinking"; and Walter Gordon: "Influential? Yes, perhaps too darn much so, as a Canadian power directed from New York". Levitt, op.cit., pp.7-8.


(72) Last Post, vol.1, no.4, p.20.


(76) Last Post, vol.1, no.4, p.21.

(77) Judy Lamarche, op.cit., p.71.

(78) Ibid., p.72.


(81) Walter Gordon, A Choice for Canada, Toronto, McClelland and Stewart, 1966, p.97. The same threat had been made earlier during the Kennedy administration. According to the Globe Magazine report the "Kennedy Administration made it quite clear it wanted Time exempted from any legislation based on the O'Leary report. Washington put pressure on the Pearson government by, in effect, making exemption a precondition for agreement to the pending U.S.-Canada Treaty for partial free trade in automobiles and auto parts". Cited in Last Post, vol.1, no.4, p.21. In the same article it is noted that "Kennedy personally spoke to Pearson in favour of Time".


(83) Last Post, vol.1, no.4, p.22.

(84) Walter Gordon, op.cit., p.97.


(86) Last Post, vol.1, no.4, p.22.

(87) See Report of the Special Senate Committee on Mass Media, Ottawa, Queen's Printer, 1970.

(89) Last Post, vol.1, no.4, p.24.

(90) See ibid., p.22.

(91) Ibid. For elaboration concerning the consequences of this cooperation for Macleans style, format and editorial polity, see footnote 7 of this section.

(92) Ibid.

(93) Ibid., p.19.

(94) Most of the leading defense contractors in Canada are American. See Gideon Rosenbbluth, The Canadian Economy and Disarmament, Toronto, Macmillan of Canada Ltd., 1967, Table 6:1, p.96. As well: American defence expenditures in Canada account for almost 25 per cent of all defence expenditures in Canada and this proportion has risen over time. Ibid., Table 2:9, p.22. Finally, with specific reference to Canadair Ltd., it is significant that Canadair "has very little non-defence business". Ibid., p.88.

(95) "Domestic exports of automotive products, totalling no less than $2.6 billion compared with $177 million only four years earlier, far exceeded the combined export sales of wheat and newsprint in 1968. This dramatic growth, and indeed the growth in total external trade in autos and automotive products, which has increased nearly sixfold in the past four years, reflects in large measure the impact of the United States-Canada Automotive Products Agreement". "A Continental Automotive Scheme", Business Review, Bank of Montreal, Feb. 28, 1969, p.1.

(96) See The Oil Import Question: A Report on the Relationship of Oil Imports to the National Security, Washington, February, 1970. The report concludes that it is vital to the interests of American national security to obtain a firm agreement from Canada that the United States will be able to rely upon Canadian supplies of oil on a long term basis. Incidentally, should the agreement be reached the oil companies fulfilling its conditions in Canada will all be branches of American-owned parent corporations. It has just recently been reported that the sole remaining Canadian oil company has been taken over by an American multinational corporation. Its two predecessors, McColl-Frontenac and Canadian Oil Company, went the same route in 1948 and 1962 respectively.

(97) James Laxer, The Energy Poker Game, Toronto, New Press, 1970, p.47. Laxer's thesis is that the proposed energy deal will "mark a formal return to colonial status" for Canada, ibid. He makes the perhaps unwarranted assumption that it is still within the powers of the Canadian government not to conclude such an agreement. With respect to another aspect of economic continentalism, a U.S. spokesman for the coal industry said that the White House would not limit coal exports to Canada "because our Government considers Canada our own country for energy purposes". Globe and Mail, September 12, 1970.
A. Curious Behavior and Some Plausible Explanations

As the foregoing case studies illustrate, the American multinational corporation has served both as a pretext and an agent to abrogate broad areas of jurisdiction which would otherwise have been the independent preserve of the Canadian state. The principal motivator and beneficiary of this process has been the U.S. state. Manifestly these jurisdictional losses have been costly to the Canadian government both in the sense that they have led to the frustration of preferred government policies and because they have been detrimental to important, government-designated national interests. It may also be that the impact of these intrusions will, in the final analysis, lead to even more profound consequences: the derogation of Canadian sovereignty and independence implies the eventual loss of necessary conditions for the perpetuation of a separate Canadian nation state. The legitimacy of state power, i.e. the state's ability to command without coercion the allegiance of its citizenry, rests heavily upon the retention of both state authority and state efficacy. This is particularly so where other bases of legitimacy such as a strongly embedded national mythology and national identity are lacking. The legal claims of the American government to control the activity of large segments of the Canadian economy constitute a direct challenge to important dimensions of that authority. And the experience of the Canadian government in the cases cited above, as well as elsewhere, would certainly make
dubious any pretensions to a high level of state efficacy in economic regulation, foreign policy formation and a host of other areas of political import.

These realities have become apparent to Canadian political elites and the Canadian public alike. (1) Indeed, Canadian political elites no longer take pains to sustain the false mask of Canadian independence. During the 1968 election campaign, for example, Prime Minister Trudeau admitted that the relationship between Canada and the United States is similar to that which exists between Poland and the Soviet Union and that currently Canada had "10 per cent independence". (2) This admission was widely accepted as an embarrassingly candid but nevertheless accurate portrayal of the extent to which Canada has assumed the mantle of a satellite—held tightly within the American orbit.

Given the extent of the sovereignty transfers already made, the visible restrictions upon Canadian independence, the experience of thwarted governmental policies and objectives, the widespread public recognition of the symbiotic relationship between continental economics and continental politics, and the apparent importance attached to this issue by the Canadian electorate, it would be reasonable to anticipate the opposition of the Canadian government to further incursions. But unlike the example of other governments, e.g., France and Mexico, (3) who have faced much less interference from the United States than Canada does, the Canadian government has been less than vigorous in its attempts to protect Canadian sovereignty and independence from further erosion. Instead, and in the words of the Watkins Report:

"While there has been concern among Canadians for some time about foreign, especially American ownership and control of Canadian industry, it has in general been the policy of all levels of Canadian government not only to permit but to actively encourage foreign investment." (4)
True, there have been instances where the Canadian government has opposed certain specific aspects of American political and economic intrusion. Yet it is noteworthy that the Canadian government has never refuted the legal premises upon which these intrusions are based. Moreover, whereas there have been occasions where the Canadian government has balked at American interference in some areas not related to American laws of extraterritoriality, e.g., the taxation of American magazines, the incidents have been marked by the eventual submission of the Canadian government. Finally, it is possible to discern variations between Canadian governments in the degree to which they encourage U.S. direct investment. The regimes of King and St. Laurent were probably the strongest promoters, that of Diefenbaker was more ambivalent, and the administrations of Pearson and Trudeau fall somewhere in between. But from a broader vantage-point the observation of the Watkins Report remains accurate: while there may be differences in degree of encouragement the fact of such encouragement retains a consistency.

GW. Gonick, editor of Canadian Dimension, professor of economics, and NDP member of the Manitoba legislature, has discerned for the post-Diefenbaker years two orientations among Liberals to American investment; both are positive. He calls them the "activist" and the "passivist" positions. (5) Activists, the minority group, include Walter Gordon and Eric Kierans who are differentiated from the passivists because they want a "greater share of the continental pie", (6) that is, a larger economic return for political concessions and losses of independence. This position does little to detract from the earlier statement, however, Neither group is opposed to economic and political continentalism per se. Furthermore, the ranks of the activist group are much depleted. Note that neither Gordon nor Kierans sit any longer on the Liberal front bench.
The occasional misgivings and sporadic opposition of elements of the Canadian government have, in any case, been more than offset by the spate of policies encouraging further American investment and the constant recommendation that the political results be accepted. Such counsel has been heard repeatedly both in parliament and election campaigns from both major political parties. In addition these opinions have taken concrete form in parliamentary legislation and in the services of the Canadian federal bureaucracy.

A cogent case could be made for the argument that the Canadian government benefits multinational corporations in particular through its laissez-faire attitude toward a wide range of economic concerns, that is, through benign neglect. (7) This would hold strongly in the instance of multinational corporations since, as has been mentioned, these firms have a strong tendency to be or to become oligopolistic. On the active side of the corporation-government relationship, the general solicitude of the federal government to the needs of large-scale industry through trade fairs, market research, promotion abroad and other services, could be cited to support the same conclusion. (8) But the Canadian government has also benefitted U.S. multinational firms in ways which are much more direct, specific, and exclusive. These favours fall into two broad categories: first, direct grants and subsidies, and second, preferential concessions in the form of tax exemptions. Data concerning the first category of benefits has only recently become available. According to returns for 1965-1968 tabled in the House of Commons, 57.3 per cent of the federal government's research and development grants under six main programmes went to foreign firms. (9) Comprehensive data concerning more recent disbursements under these programmes is not yet available. However,
two of these programmes which were amalgamated into the Defence Industry Productivity Programme in 1968, distributed 88 per cent of their monies to foreign corporations in the following year. (10) Tax exemptions, the second category of benefits, appears to be even more exclusively aimed at certain foreign corporations. Foreign investment corporations, for example, enjoy considerable tax advantages which are not open to domestic investment corporations — the "basic idea (being) ... to attract foreign capital to Canada". (11) Petroleum companies, the vast majority of which are American, receive sizeable oil depletion allowances, another prime example of government policies designed almost solely to benefit non-resident companies; and in 1968 the Canadian government gave up $80 million in customs duties to American auto firms in Canada to bolster the auto pact. (12) Finally, it should be noted that the federal level is not alone in this role. Ottawa's policies have been strongly and variously complemented by equally favourable policies in the provincial capitals. (13)

A variety of explanations have been offered for the peculiar rapport between Canadian governments and American corporations. Among these is what might be called the realist's explanation. It has no particular standard bearer but has been voiced on numerous occasions by defensive apologists for continentalism. Here it is argued, with some cogency, that the inferior power status of the Canadian government and the already strong dependencies of the country upon the United States, makes opposition to continentalization futile. According to this line of reasoning, Canadian governments permit the political intrusions, associated with American direct investment, out of recognition of the inevitable. That is, they understand continentalism to have an inexorable imperative
of its own. The Canadian government is powerless to stop it. Hence, Canada's political leaders, being for the most part 'practical' men, have sought harmony with the compelling influence of forces beyond their control: the geographical, historical, political, economic and cultural realities of continentalism. (14) While this explanation has an attractive logic and is popularly espoused, it neglects the prior question: how does one account for the active role played by the government in nurturing continentalism?

Three corollaries to this general explanation provide partial answers. One has been presented by George Grant. He argues that American and Canadian political and economic elites share the same basic world view. Continentalism, associated in their minds with American dynamism and optimism (innocence) and, in effect with those forces seeking technological mastery of the world, has become identified with "Progress":

"the dominance of the United States is identified with the unequivocal victory of the progressive spirit in the West." (15)

This notion has become embedded as an integral part of the North American value system, he maintains. It would be contrary to the predominant view of history and socio-economic reality to expect any government to contest it. (16)

Another line of thought suggests that Canadian political elites operate within a consensus achieved by weighing the economic benefits of American direct investment against the political costs. The former, it is felt, outweigh the latter. (17) (Dissenters from this position argue that economic benefits and political costs are not comparable or that, in fact, a net economic cost accrues to American direct investment in Canada.) (18) But these arguments are not necessarily material to an
understanding of governmental motivation. What matters most is the perception by government personnel of the pertinent benefits and costs. Moreover, the argument suffers from an a priori assumption that political decisions are arrived at on a strictly 'rational' benefit-cost basis - a dubious assumption at best.

Finally, there is a sociological explanation derived from the work of Professor John Porter. His data show that there exist powerful affinities between the members of various Canadian elite systems based on kinship ties, religious affiliation, educational experience, ethnicity, club membership and friendship. These informal linkages and similarities are particularly striking in Porter's comparison of economic and political elites. (19) Since an ever-increasing proportion of Canadian capitalists have found economic continentalism profitable and support its growth, (20) the connections Porter has discovered may be conducive to similar preferences among Canadian political elites as well. (21)

All of the above approaches can lend valuable insight to an understanding of the motivation of Canadian political elites. None can be cast aside as irrelevant to the issue of their endorsement of a continentalist policy. At the same time, each has critical shortcomings. Grant's thesis has a strong intuitive appeal. It provides an idealist view of Canadian history and adds an awareness of long-term cultural conditioning which has, too often, been neglected. Paradoxically, this strength is also the chief weakness in Grant's orientation. Central to his approach is the contention that the 'spirit of progress', as a cultural and ideational force, is so strongly entrenched and so dominant in Canadian society that it operates below a conscious level. For this reason, and because his theme encompasses the entire history of Renaissance and post-Renaissance Western Man, his thesis defies the analysis
of specific motivations. And the second rationale which posits a trade-off between political costs and economic benefits begs the central question most often put by its critics: by what set of criteria does one arrive at a decision to debase national sovereignty and independence for economic gain? Assuming some form of rationality, there must be prior valuations or factors, as yet unexplained, which have been influential in achieving this decision. Until these are specified and explained, much of what must be proven has merely been postulated. The orientation derived from Porter's work, while highly plausible, requires more detailed research. Porter's data are sufficient to suggest that within broad categories, Canadian political and economic elites tend to be the same 'kind' of people. They are not sufficient to validate the conclusion that there exists a relatively homogeneous set of behavior norms and interests among these elites.

B. A Simpler, more Direct Approach

The approach adopted in this paper may be described broadly as an economic theory of motivation. It is premised by the assumption that individuals tend to be rational and self-serving with respect to decisions which significantly affect their material and career interests. Senior civil servants and cabinet ministers are not considered unique in terms of this assumption. Such an approach provides an admittedly partial but nevertheless cogent explanation for the continentalist preferences of successive Canadian governments. It is designed to meet some of the weaknesses inherent in the previously mentioned approaches, and at the same time to complement them. Instead of deducing an understanding of motivation from the socio-economic or historical position of classes and groups of men, this study is directed toward an explanation of behavior
derived from an understanding of the occupational experiences, future expectations and material inducements impinging upon the behaviour and policy preferences of individual government personnel. In place of an accent upon historically dominant ideological factors, class affinities, and imputed rationales, this study offers an explanation of behavior based upon connections between Canadian political elites and continentalist multinational corporations.

The data presented in the following chapter show that a large proportion of the Canadian political elites surveyed have been strongly identified with continental corporations. That is, they held executive positions or directorships in these firms. Such affiliations were researched in respect to two different sets of continentalist corporations in Canada. The first is comprised of American multinational firms. The second consists of Canadian corporations operating jointly with American firms or having their own production and/or sales branches in the U.S.(23) Both kinds of corporations share the same basic concern to promote Canadian government policies which favour economic continentalism. In the case of the American firms the benefits are direct and immediate. Their Canadian counterparts then hold a better brief for reciprocal treatment from the American government. But in a larger sense the successful future of the Canadian, as well as the American corporations, is predicated upon continental integration. Without at least the passive co-operation of the Canadian government, there can be no long-term guarantee that this process will continue.

The data generated by this study demonstrates that a significant number of senior politicans and civil servants were affiliated with these continentalist corporations before they assumed public office. For several reasons, based on these findings, individuals could not
normally be expected to be opposed to economic continentalism.

1. All have derived great personal benefit from economic continentalism.

2. Many retain material interests in economic continentalism in the form of company stocks and bonds. (24)

3. For many their political career is only an interim "stint" away from the corporate world.

4. In many cases, gratitude and corporate loyalty presumably do not dissolve upon exit from the corporation. (25)

More important, the data show that there is an even stronger tendency for political elites to pick up directorships and executive appointments in continentalist corporations after they have left political office. There are two possible explanations for this generosity on the part of the corporations:

1. positions have been offered as rewards for services previously rendered.

2. positions have been offered as rewards for anticipated services. (26)

The fact that so many of the individuals surveyed were eventually formally co-opted (27) by continentalist enterprises is substantial indication, itself, that a strong linkage exists between the Canadian government and these corporations. But there is another way to view this phenomenon. It is a reasonable surmise that the career expectations of political elites are, at least in part, a function of their knowledge of the career patterns of their predecessors and associates. Where these career patterns include a number of appointments to continentalist corporations, it would appear logical for political elites to anticipate similar futures for themselves. These anticipations together with the kind of enticements that such corporations are able to offer may have a
high measure of accountability for the intimate accord which exists and has existed between Canadian government and American multinational corporations.

The strength of this study rests primarily upon the data it has generated. That significant ties exist between Canadian government elites and corporations which place a high premium upon continentalism is incontestible. But it should be noted that whereas these findings are conducive to a 'vulgar' view of human motivation, they are not sufficient to sustain either a "devil thesis" or a moral condemnation. Nothing in what follows evidences either the existence of a conspiratorial clique or a deviation from accepted moral precepts in Canadian society about the nature of political leadership or from the ethical standards of the individuals themselves. (28) Economic interest is not a recent addition to the catalogue of human motivations; nor is it a particularly exciting insight into human nature. It, as well as its banality, have become commonplace. Yet the commonplace, in this instance, bears merit for more extended consideration. Finally, it should be stressed that this study claims to provide only a partial explanation for the Canadian government's support of continentalism. Other, less mundane rationales, of the kind mentioned above, have not been rejected.
FOOTNOTES - CHAPTER 4

(1) A public opinion survey conducted by the Toronto Star in 1967 substantiates the contention that public awareness and apprehension about this issue and its ramifications is widespread. I cannot vouch for the methodological sophistication of the survey - information about sample size, randomness of selection, the techniques used, etc., is not available. However, unless the figures are grossly distorted the findings stand for themselves. They indicate by the order of magnitude involved, that American multinational corporations have become an issue of prime importance in the public mind. Below are a few of the most relevant findings for the survey:

Question: "Do you think that foreign control of a large portion of Canadian industry endangers or could endanger our political independence?"
Answers:
Yes 60%
No 28%
Don't know 12%

Question: "To what extent do you think the U.S. Government influences affairs in Canada?"
Answers:
Greatly 47%
Moderately 40%
Little 10%
Don't know 1%

Question: "Do you personally feel that foreign control of Canadian industry is an issue of: major importance ...?"
Answers:
Major importance 47%
Moderate importance 38%
Little importance 10%
No importance 4%
Don't know 1%

Question: "Should the Canadian government take steps to reduce foreign control of Canadian industry?"
Answers:
Should take steps 67%
Should not 23%
Don't know 10%

Source: reprinted in Canadian Dimension Kit No.3: Canadian Nationalism, Appendix.

(2) Trudeau's statement is mentioned in C.W. Gonick "Foreign Ownership and Political Decay" in Lumsden op.cit., p.71. Trudeau, of course, was not the first Canadian prime minister to speak the obvious - he merely puts it more boldly. Recall a similar but more phlegmatic statement by L.B. Pearson in the previous chapter.
(3) Reference is made here to the restrictions placed upon U.S. invest-
ment by the De Gaulle regime and the precedent set for Mexico by the
Cardenas government during the 1930s.


(5) C.W. Gonick "Foreign Ownership and Political Decay", op.cit.,
pp.49-55.

(6) Ibid., p.50.

(7) For several examples of benign neglect in this respect, see Ibid,
p.65.

(8) Information concerning a host of services rendered by the federal
bureaucracy to private industry, both domestic and foreign, is contained
in the annual reports of various ministeries. Consult, in particular,
the annual reports of the Department of Industry, Trade and Commerce.

(9) The data were reported in the Globe and Mail, April 21, 1970.


(11) Jean Boyer de la Giroday, Canadian Taxation and Foreign Investment,
Toronto, Canadian Tax Foundation, 1955, p.46. In 1966 a royal com-
mission on taxation recommended "that the preferential treatment of non-resident
owned investment corporations and foreign business corporations should
be withdrawn over a period of time", Royal Commission on Taxation Report,
Ottawa, Queen's Printer, 1966, vol.3, p.102. This recommendation has
not been acted upon.


(13) With the exception of the present NDP government in Saskatchewan, I
can think of no provincial government which at any time has opposed
American direct investment. Several have been criticized for the lengths
to which they have willingly gone to make their provinces attractive to
American capital. The 'give-away' policies of Smallwood, Bennett, Roblin,
Thatcher and Robarts come readily to mind in this regard. For a devastating
critique of recent exorbitant concessions given American corporations
by the Ontario government see John Calvert "The Ontario Development Cor-
poration" in Canadian Forum, June 1, 1971. Similarly, but with respect
to the Thatcher government, see "The Saskatchewan Pulp Mill Giveaway That
Should Now be Undone" by the Saskatchewan Resources Study Group, Canadian
Dimension, vol.8, no.2. For a longer-term appreciation of the role of
provincial governments in promoting American investment see Donald
Creighton "The Decline and Fall of the Empire of the St.Lawrence", a
paper given at the 1969 meeting of the Canadian Historical Association.
The paper is cited in Michael Bliss "Canadianizing American Business"
in Lumsden, op.cit., p.34. Creighton gives the provincial governments
more credit than the federal government in contributing to continentalism.
Bliss suggests that the federal government has been equally responsible
however.
(14) This rationale, which serves also as a prescription, has roots which reach back far beyond the arrival in force of American multinational corporations. In this sense, Harry Johnson, the foremost Canadian academic exponent of continentalism, is following in the footsteps of the Continental Union Association of the 1890s and of Edward Farrer and Goldwin Smith. See H.G. Johnson, The Canadian Quandary, Toronto, McGraw Hill, 1963.

(15) "Canadian Fate and Imperialism" in Technology and Empire, op.cit., p.71.

(16) This is a superficial and limited synopsis of Grant's main thesis. It does not do it justice. For elaboration see his Lament for a Nation, op.cit., and Technology and Empire, op.cit., including "In Defense of North America" and "Tyranny and Wisdom". Other proponents of this 'Weltauschaunng' theme may be found in the following selections from Lumsden, op.cit.: D. Drache, "The Canadian Bourgeoisie and its National Consciousness" and George Martell, "What Can I Do Now?"

(17) This consideration is bolstered by the findings of R.G. Penner who reports that significant economic benefits accrue to American investments. See his "The Benefits of Foreign Investment in Canada, 1950-1956", Canadian Journal of Economics and Political Science, May 1966. Ironically, the Watkins Report is also supportive on second reading. Whereas Watkins found that the net economic benefit from foreign investment contributed to an increase of between 1.4% and 3.24% in the level of per capita real income, he neglected to mention that this constitutes a minimum contribution of about 40% to the growth of per capita real income. Comparisons of economic and political costs and benefits which reach a continentalist prescription include G.L. Reuber, "Benefits and Costs of Foreign Investment in Canada" (mimeo) and H.G. Johnson, "The Watkins Report", International Journal, Autumn, 1968.

(18) See, for example, Kari Levitt, Silent Surrender, op.cit., or Mel Watkins, "A New National Policy" in Trevor Lloyd and McLeod, eds., Agenda 1270, Toronto, University of Toronto Press, 1968, pp.159-176.

(19) See especially chapter XVII but also chapters IX, XIII and XIV of The Vertical Mosaic, Toronto, University of Toronto Press, 1969.

(20) In Grant's words, "no class in Canada more welcomed the American managers than the established wealthy of Montreal and Toronto, who had once seen themselves the pillars of Canada ... Capitalism is, after all, a way of life based on the principle that the most important activity is profit making". Lament for a Nation, op.cit., p.47. Statistical evidence that about 650 Canadian firms adapted early to continentalism is contained in G.L. Reuber and Frank Roseman, The Take-Over of Canadian Firms, 1945-61, Ottawa, Queen's Printer, 1969. Some of the better-known U.S. acquisitions are listed in Walter Gordon, A Choice for Canada, op.cit., pp.63-87. More up-to-date listings are available from The Financial Post.

(21) Porter's data are conducive to this conclusion but Porter remains agnostic. See The Vertical Mosaic, op.cit., pp.266-273, and pp.528-532.

(22) One is further tempted to ask if the categories are not too broad
and further if they are the appropriate ones. Are ethnicity and religious denominations, for example, important factors today in forging a common bond between economic and political elites? One wonders.

(23) Incidentally, a considerable amount of the American assets of these Canadian firms is actually owned by non-residents through part ownership of Canadian firms. In 1967, there were $24,030 millions worth of Canadian assets abroad and two-thirds of this was in the U.S. About 40 per cent of $1.7 billion of the Canadian assets abroad were "beneficially owned by non-residents." Quarterly Estimates of the Canadian Balance of International Payments, 2nd Quarter, 1970, Ottawa, Queen's Printer, 1970, p. 41. Presumably a large majority of the non-resident assets is American.

(24) It is common practice for senior executives in large corporations to be remunerated not only with salaries and fringe benefits but also with sizeable stock options at reduced prices. This is particularly valuable in Canada where until recently capital gains have not been taxable. Directors, of course, are often among the largest investors in the corporations on whose boards they sit.

(25) According to William Whyte Jr., being "company-oriented" is the cardinal virtue demanded of the modern, big-company executive. The marked success of the corporation in instilling this virtue is the major theme of his Organization Man, Garden City, New York, Doubleday and Company, 1956.

Possibly the most explicit carry-over of corporate loyalty into the political realm at the cabinet level was exemplified by Robert Winters. (There have been a number of contenders for close second.) He almost won the leadership of the Liberal Party on the platform that government administration should be good for business and business administration would be good for government. He followed C.D. Howe to become the Charles Wilson, ('What's Good for General Motors...') of Canada. For a list of 28 reasons for this loyalty, i.e., corporate appointments, see Research Bulletin, Toronto, The Research Department of the United Electrical, Radio and Machine Workers, February, 1966, pp. 14-16.

(26) Some ex-government personnel are called "political directors" and perform lobbying functions, give political advice and maintain general liaison between the corporation and parliament and political parties. This information was given to me by Professor Z.K. Paltiel, who used Senator Wallace McCutcheon as an example.

(27) I use this term loosely. A number of general definitions satisfy this use. One has been offered by Philip Selznick: Cooptation is "the process of absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence" TVA and the Grass Roots, New York, Harper and Row, 1966, p. 259.

(28) In this I subscribe to the views of Charles Beard who, in an earlier study of a similar phenomenon, took great pains to assure his readers that there is no necessary contradiction between enlightened self-interest and what one sees to be "the good". See his Introduction to the 1935 edition in An Economic Interpretation of the Constitution of
the United States, New York, The Free Press, 1965. Indeed, it would not be a gross exaggeration to state that, the 'Tory ethic' aside, enlightened self-interest has long been an integral and accepted cornerstone of appropriate conduct in Canadian politics. This normative justification for the intimacy between continentalist corporations and Canadian political elites is elaborated upon in Chapter 6.
A. Government Elites Surveyed

Two kinds of political and bureaucratic elites were chosen for this study. The first consists of cabinet ministers in charge of selected government departments. The criteria for the selection of the cabinet ministers were twofold: first, for purposes of comparison over time the departments for which they were responsible had to have been in existence throughout the entire thirty-five years under review; (1) second, the departments were those considered most germane to policies affecting economic continentalism and American multinational corporations. (2) This second criterion meant, for example, that such departments as Health and Welfare, Fisheries, the office of the Postmaster General, and so on, were omitted. The departments chosen according to these criteria were:

1. Department of Mines and Resources
2. Department of Trade and Commerce
3. Department of Finance
4. Department of Revenue

The second body of political elites chosen were from the administrative branch. Most were or are deputy ministers of the above departments during the same time period. The remainder consisted of Governors of the Bank of Canada. Although formally less powerful in the policy-making process than the cabinet ministers, it is widely agreed that the power to advise carries considerable weight and that such
influence has been exercised with increasing effect by Canadian civil servants. (3)

Together these individuals comprise, at least judging by their formally designated functions, the body of governmental elites most responsible for the continentalist policies of Canadian governments. (4)

B. Corporate Affiliations

The term "corporate affiliation" refers to the relationships between corporations and governmental elites which involve the latter holding an executive position in the corporation, i.e. having managerial status, or a directorship on the board of directors of the corporation.

Three kinds of corporate affiliations have been investigated. (5) The first is the most general and consists of all corporate affiliations irrespective of the ownership characteristics of corporations or their relation to the continental economy. The second refers to affiliations with Canadian corporations having a significant "continental interest". (6) Canadian corporations are considered to have this interest if they satisfy one or both of the following conditions:

1. they have production or sales branches in the United States.
2. they share directly and substantially (over 10%) in the ownership of an American-owned firm or firms. (7)

The third kind of affiliation consists of corporate appointments with firms which are majority or wholly American-owned, that is, American multinational corporations in Canada. (8)

C. The Corporate Affiliations of Cabinet Ministers

Table V provides a tabulation of cabinet ministers, by department
and their corporate affiliations. Corporate affiliations are tabulated under four columns. The first column indicates the presence or absence of affiliations with any corporation. The second and third columns refer respectively to affiliations with Canadian corporations having a continental interest and to American multinational corporations. The fourth column is a composite of columns two and three; it aggregates all continentalist corporate affiliations.

Legend:

- **B**: indicates presence or absence of corporate affiliations before entering the cabinet.
- **A**: indicates presence or absence of corporate affiliations after leaving the cabinet.
- **Y**: indicates presence of corporate affiliations.
- **N**: indicates absence of corporate affiliations.
- **-**: indicates lack of data concerning corporate affiliations because minister is still in the cabinet or died while in office or shortly after retirement from office.
- **R**: indicates minister is still in cabinet.
- **Z**: indicates minister died while in office or shortly after retirement from office.

**TABLE V (A): Corporate Affiliations of Cabinet Ministers**

Department of Revenue

Kinds of Corporate Affiliations

<table>
<thead>
<tr>
<th>Ministry and Name of Minister</th>
<th>Any Corp²</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th</td>
<td></td>
<td>B A</td>
<td>B A</td>
<td>B A</td>
</tr>
<tr>
<td>Mackinnon</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
<td>N Y</td>
</tr>
<tr>
<td>Ilsley</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>Gibson</td>
<td>Y N</td>
<td>Y N</td>
<td>N N</td>
<td>Y N</td>
</tr>
<tr>
<td>MacLaren</td>
<td>N Y</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
</tr>
<tr>
<td>McCann</td>
<td>N Y</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>17th</td>
<td></td>
<td>B A</td>
<td>B A</td>
<td>B A</td>
</tr>
<tr>
<td>McCann</td>
<td>N Y</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>18th</td>
<td></td>
<td>B A</td>
<td>B A</td>
<td>B A</td>
</tr>
<tr>
<td>Nowlan (Z)</td>
<td>N -</td>
<td>N -</td>
<td>N -</td>
<td>N -</td>
</tr>
<tr>
<td>Flemming</td>
<td>Y Y</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
</tbody>
</table>
### TABLE V (A) cont...

<table>
<thead>
<tr>
<th>Ministry of Name of Minister</th>
<th>Any CorpB</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>19th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garland (Z)</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>McIraith (R)</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Benson (R)</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>20th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cote (R)</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

### TABLE V (B) Corporate Affiliations of Cabinet Ministers

**Department of Mines and Resources (9)**

**Kinds of Corporate Affiliations**

<table>
<thead>
<tr>
<th>Ministry of Name of Minister</th>
<th>Any CorpB</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crerar</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Glen (Z)</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Mackinnon</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>17th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mackinnon</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Gibson</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>18th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harkness</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Hamilton</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Dinsdale</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>19th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laing (R)</td>
<td>Y</td>
<td>-</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Pepin (R)</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>20th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greene (R)</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>
### TABLE V (C) Corporate Affiliations of Cabinet Ministers
Department of Finance

<table>
<thead>
<tr>
<th>Ministry and Name of Minister</th>
<th>Any Corp(^n)</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th Dunning</td>
<td>Y Y</td>
<td>N Y</td>
<td>Y Y</td>
<td>Y Y</td>
</tr>
<tr>
<td>Ralston (Z)</td>
<td>Y -</td>
<td>N -</td>
<td>N -</td>
<td>N -</td>
</tr>
<tr>
<td>Ilsley</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>Abbott</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
</tbody>
</table>

| 17th Abbott                   | N N            | N N                     | N N                     | N N                             |
| Harris                        | N Y            | N N                     | N N                     | N N                             |

| 18th Fleming                  | Y Y            | N Y                     | Y Y                     | Y Y                             |
| Nowlan (Z)                    | N -            | N -                     | N -                     | N -                             |

| 19th Gordon                   | Y Y            | Y Y                     | Y N                     | N Y                             |
| Sharp (R)                     | Y -            | Y -                     | N -                     | Y -                             |

| 20th Benson (R)               | N -            | N -                     | N -                     | N -                             |

### TABLE V (D) Corporate Affiliations of Cabinet Ministers
Department of Trade & Commerce

<table>
<thead>
<tr>
<th>Ministry and Name of Minister</th>
<th>Any Corp(^n)</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th Mackinnon</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
<td>N Y</td>
</tr>
<tr>
<td>Euler</td>
<td>Y Y</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
</tr>
<tr>
<td>Howe</td>
<td>Y Y</td>
<td>N Y</td>
<td>N Y</td>
<td>N Y</td>
</tr>
</tbody>
</table>

| 17th Howe                     | Y Y            | N Y                     | N Y                     | N Y                             |

| 18th Churchill                | N N            | N N                     | N N                     | N N                             |
| Hees                          | Y Y            | N Y                     | N N                     | N Y                             |
| McCutcheon                    | Y Y            | Y Y                     | Y Y                     | Y Y                             |
Table VI provides a summary of the percentages of cabinet ministers in each portfolio who had corporate affiliations before entering the cabinet. Two measures have been given. The first pertains to all cabinet ministers who had previous corporate affiliations. The second excludes those who died in office or shortly thereafter (Z) and those who are still in the cabinet. (R). The first measure ($N_a$) is the more appropriate for an understanding of the level of pre-cabinet corporate affiliations. The second is more appropriate for a consideration of post-cabinet corporate affiliations. (Cabinet ministers marked (R) and (Z) have or had little opportunity to assume post-cabinet corporate affiliations - for obvious reasons.) Both measures are used in the following tables so that comparisons can be made between the "before" and "after" levels of corporate affiliations. Unfortunately, this means with respect to the second ($N_b$) measure that the sample size is reduced and that many of those who served in the Pearson cabinet and/or are serving in the Trudeau cabinet, have been omitted.
TABLE VI

Percentages of cabinet ministers who had corporate affiliations before entering the cabinet

<table>
<thead>
<tr>
<th>Kinds of Corporate Affiliations</th>
<th>Any Corp ( (N_a=11) )</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( (N_b=6) )</td>
<td>18.2%</td>
<td>9.1%</td>
<td>0</td>
<td>9.1%</td>
</tr>
<tr>
<td>Mines and Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( (N_a=10) )</td>
<td>30.0%</td>
<td>20.0%</td>
<td>0</td>
<td>20.0%</td>
</tr>
<tr>
<td>( (N_b=6) )</td>
<td>33.3%</td>
<td>33.3%</td>
<td>0</td>
<td>33.3%</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( (N_a=10) )</td>
<td>50.0%</td>
<td>20.0%</td>
<td>20.0%</td>
<td>40.0%</td>
</tr>
<tr>
<td>( (N_b=6) )</td>
<td>50.0%</td>
<td>16.7%</td>
<td>33.3%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Trade and Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( (N_a=9) )</td>
<td>66.7%</td>
<td>33.3%</td>
<td>22.2%</td>
<td>33.3%</td>
</tr>
<tr>
<td>( (N_b=7) )</td>
<td>71.4%</td>
<td>28.6%</td>
<td>28.6%</td>
<td>28.6%</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( (N_a=40) )</td>
<td>40.0%</td>
<td>20.0%</td>
<td>10.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>( (N_b=25) )</td>
<td>48.0%</td>
<td>24.0%</td>
<td>16.0%</td>
<td>32.0%</td>
</tr>
</tbody>
</table>

Note: Each cabinet minister is counted only once irrespective of whether or not he or she served in more than one ministry; conversely where a cabinet minister served in more than one of the above portfolios he was counted more than once.

\( N_a = \) all cabinet ministers
\( N_b = \) all cabinet ministers minus (2) minus (R)

It is apparent from this summary that a sizeable proportion of the cabinet ministers in all portfolios had prior affiliations with continentalist corporations. This is less so (9.1% using \( N_a \)) for cabinet ministers responsible for the Department of Revenue than for other portfolios. Over one-fifth of the cabinet ministers in the Finance and Trade and Commerce portfolios had been directly connected with American multinational corporations. When these findings are amalgamated with Canadian continentalist corporate affiliations the figures are even higher: using \( N_a \) seven of nineteen ministers in these departments had affiliations with
continentalist corporations.

A glance at the data from Table V shows that while there has been a decrease, over time, in the proportion of cabinet ministers in the Revenue and Mines and Resources portfolios with such connections, the linkages remain strong in the other two portfolios.

TABLE VII.

Percentages of cabinet ministers who had corporate affiliations after leaving the cabinet

Kinds of Corporate Affiliations

<table>
<thead>
<tr>
<th></th>
<th>Any Corp</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=11)</td>
<td>36.4%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>18.2%</td>
</tr>
<tr>
<td>(Nb= 6)</td>
<td>66.7%</td>
<td>16.7%</td>
<td>16.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Mines &amp; Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=10)</td>
<td>30.0%</td>
<td>20.0%</td>
<td>10.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>(Nb= 6)</td>
<td>50.0%</td>
<td>33.3%</td>
<td>16.7%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=10)</td>
<td>40.0%</td>
<td>30.0%</td>
<td>20.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>(Nb= 6)</td>
<td>66.7%</td>
<td>50.0%</td>
<td>33.3%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Trade &amp; Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=9)</td>
<td>66.7%</td>
<td>55.5%</td>
<td>44.4%</td>
<td>66.7%</td>
</tr>
<tr>
<td>(Nb=7)</td>
<td>85.7%</td>
<td>71.4%</td>
<td>57.2%</td>
<td>85.7%</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=40)</td>
<td>42.5%</td>
<td>27.5%</td>
<td>20.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>(Nb=25)</td>
<td>68.0%</td>
<td>44.0%</td>
<td>32.0%</td>
<td>56.0%</td>
</tr>
</tbody>
</table>

As Table VII demonstrates the percentage of cabinet ministers with corporate affiliations of all kinds has risen strongly, (to 42.5% using Na and 68% using Nb), after they have retired from the cabinet. This is true for cabinet ministers in most of the portfolios except those in Finance, the proportion of whose affiliations with American multinational corporations remained unchanged. As before, this pattern appears somewhat less
strongly over time in the Revenue portfolio than in the other portfolios.

Table VIII provides a summary of the differences between the "before" and "after" levels of corporate affiliation among cabinet ministers. While there are a few instances which show that certain kinds of affiliations were not augmented between the pre and post cabinet periods, no declines in the level of affiliations have taken place. Moreover, the data for all continentalist corporate affiliations show increases in the level of affiliations in each department — between 9.1% and 33.4% using measure Na and between 16.7% and 57.1% using measure Nb, which is the better estimate in this instance. Total increases in continentalist corporate affiliations for all departments taken together are 10% using Na and 24% using Nb.

### TABLE VIII

Gains in Corporate Affiliations after Cabinet Experience: % of cabinet ministers who had corporate affiliations after leaving office minus % of cabinet ministers who had corporate affiliations before entering office.

<table>
<thead>
<tr>
<th>Kinds of Corporate Affiliations</th>
<th>Any Corp</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=11)</td>
<td>18.2%</td>
<td>0</td>
<td>9.1%</td>
<td>9.1%</td>
</tr>
<tr>
<td>(Nb= 6)</td>
<td>33.4%</td>
<td>0</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Mines &amp; Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=10)</td>
<td>0</td>
<td>0</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>(Nb= 6)</td>
<td>16.7%</td>
<td>0</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=10)</td>
<td>10.0%</td>
<td>10.0%</td>
<td>0</td>
<td>10.0%</td>
</tr>
<tr>
<td>(Nb= 6)</td>
<td>16.7%</td>
<td>33.3%</td>
<td>0</td>
<td>33.3%</td>
</tr>
<tr>
<td>Trade &amp; Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=9)</td>
<td>0</td>
<td>22.2%</td>
<td>22.2%</td>
<td>33.4%</td>
</tr>
<tr>
<td>(Nb=7)</td>
<td>14.3%</td>
<td>42.3%</td>
<td>18.6%</td>
<td>57.1%</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Na=40)</td>
<td>2.5%</td>
<td>7.5%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>(Nb=25)</td>
<td>20.0%</td>
<td>20.0%</td>
<td>16.0%</td>
<td>24.0%</td>
</tr>
</tbody>
</table>
The data in table VIII may be used to substantiate the contention that whereas for some politicians a political career involves a financial sacrifice and may jeopardize their pre-cabinet careers, this is apparently only a temporary loss. For many it appears that cabinet-level politics has been a valuable asset for entrance into the highest echelons of the corporate heirarchy. Continentalist corporate hierarchies are no exception. Indeed, as can be seen, the achievement of new directorships and executive posts in these corporations has been more pronounced than in non-continentalist corporations. (Compare the data in the first column in each table which pertains to affiliations with all corporations, with the data in the last column which pertains to continentalist corporations). In short, the date from both tables VII and VIII show that cabinet ministers in these portfolios are more likely to be appointed to continentalist than to non-continentalist corporations after they leave office. A reasonable explanation for much of this difference may be found in the fact that continentalist corporations comprise the larger proportion of Canada's industrial economy. At the same time, since more than four out of five of corporate-affiliated cabinet ministers were affiliated with continentalist firms - a proportion which is higher than the continentalist share of all corporations - the findings suggest that the relationship of Canadian political elites with continentalist corporate elites is, on average, closer than that with non-continentalist corporate elites.

In summary, whether one looks at the corporate affiliations of cabinet ministers in these portfolios before they assumed office or after they left office, or if one compares the two periods, it is apparent that:
1. a high proportion of these cabinet ministers were strongly identified with continentalist corporations before they attained cabinet posts;

2. a higher proportion became so affiliated after they left the cabinet; and

3. as a corollary of 2, cabinet experience enhances probability of such affiliations being acquired.

These conclusions stand out much more strongly than was anticipated when this study was first undertaken. The fact that the data are systematically biased away from these conclusions lends them even greater significance. They provide a cogent insight into the intimate relationship between continentalist economics and continentalist politics. More specifically, they are helpful in understanding the curious behavior of Canadian political elites when faced with political intrusions from the United States — once the relationship between these intrusions and American multinational corporations has been understood.

D. The Corporate Affiliations of Deputy Ministers and Governors of the Bank of Canada

The tables in this section employ the same symbols as those used in the previous tables. The following table is counterpart to Table V of the previous section.

**TABLE IX (A) : Corporate affiliations of Senior Civil Servants**

**Deputy Ministers : Department of Revenue**

**Kinds of Corporate Affiliations**

<table>
<thead>
<tr>
<th>Ministry &amp; Name of Deputy Minister</th>
<th>Any Corp™</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>B A</td>
<td>B A</td>
<td>B A</td>
<td>B A</td>
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</tbody>
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TABLE IX (A) cont ...

<table>
<thead>
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<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Scully *</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>Sim</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>17th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sim</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>18th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sim</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>19th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sim</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Labarge (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labarge (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* there were two deputy ministers sharing office simultaneously during this period

TABLE IX (B) : Corporate Affiliations of Senior Civil Servants

Deputy Minister : Department of Mines & Resources

Kinds of Corporate Affiliations

<table>
<thead>
<tr>
<th></th>
<th>Any Corp</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry &amp; Name of Dep. Minister</td>
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<td>A</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>16th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camsell</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>17th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keenleyside</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
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<tr>
<td>Young</td>
<td>M</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Robertson (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>18th</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Robertson (R)</td>
<td>N</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>19th</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Robertson (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cote (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Cote (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Macdonald (R)</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>
TABLE IX(C) : Corporate Affiliations of Senior Civil Servants
Deputy Ministers : Department of Finance

Kinds of Corporate Affiliations

<table>
<thead>
<tr>
<th>Ministry &amp; Name of Deputy Minister</th>
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<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
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<td>B A</td>
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<td>N</td>
</tr>
<tr>
<td>Clark (Z)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17th</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Clark (Z)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taylor</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
<td>N Y</td>
</tr>
<tr>
<td>18th</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
<td>N Y</td>
</tr>
<tr>
<td>Taylor</td>
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<td></td>
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</tr>
<tr>
<td>19th</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Bryce (R)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>N</td>
<td>N</td>
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<td>N</td>
</tr>
<tr>
<td>Bryce (R)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

TABLE IX (D) : Corporate Affiliations of Senior Civil Servants
Deputy Ministers : Department of Trade & Commerce

Kinds of Corporate Affiliations

<table>
<thead>
<tr>
<th>Ministry &amp; Name of Deputy Minister</th>
<th>Any Corpn</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
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<td>B A</td>
<td>B A</td>
</tr>
<tr>
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<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
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<td>Parmelee</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Wilgress</td>
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<td>N N</td>
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</tr>
<tr>
<td>Master</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>Mackenzie</td>
<td>Y Y</td>
<td>N Y</td>
<td>N T</td>
<td>N Y</td>
</tr>
<tr>
<td>17th</td>
<td>Y Y</td>
<td>N Y</td>
<td>N Y</td>
<td>N Y</td>
</tr>
<tr>
<td>Mackenzie</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bull</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>Sharp</td>
<td>Y Y</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
</tr>
<tr>
<td>18th</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
<td>N N</td>
</tr>
<tr>
<td>Bull</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharp</td>
<td>Y Y</td>
<td>N Y</td>
<td>N N</td>
<td>N Y</td>
</tr>
</tbody>
</table>
It can be seen from Table IX and Table X (below) that a significant proportion of these senior civil servants were affiliated with corporations before they became civil servants. This is true with the exception of deputy ministers in the Department of Finance. However, it is
also apparent that, unlike cabinet ministers, none of the deputy ministers were found to have been affiliated with continentalist corporations before they assumed office. As in Table VI the \((N_a)\) measure is more appropriate for an understanding of the levels of pre-government corporate affiliations.

**TABLE X: Percentages of Deputy Ministers and Governors of the Bank of Canada who had corporate affiliations before assuming office**

<table>
<thead>
<tr>
<th></th>
<th>Any Corp(^n)</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=3))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=2))</td>
<td>66.7%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Mines &amp; Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=6))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=3))</td>
<td>16.7%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>33.3%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=3))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=1))</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Trade &amp; Commerce</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=9))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=7))</td>
<td>33.3%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>42.9%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Bank of Canada</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=3))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=2))</td>
<td>33.3%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>50.0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=24))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=15))</td>
<td>29.1%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>46.7%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Except for the deputy ministers in the Department of Mines and Resources the lack of continentalist corporate affiliations was substantially alleviated after retirement from the civil service.
TABLE XI: \% of Deputy Ministers and Governors of the Bank of Canada who had corporate affiliations after leaving office

<table>
<thead>
<tr>
<th>Department</th>
<th>Any Corp%</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>(N_a=3)</td>
<td>33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>(N_b=2)</td>
<td>50.0%</td>
<td>50.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Mines &amp; Resources</td>
<td>(N_a=6)</td>
<td>16.7%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(N_b=3)</td>
<td>33.3%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Finance</td>
<td>(N_a=5)</td>
<td>33.3%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(N_b=1)</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Trade &amp; Commerce</td>
<td>(N_a=9)</td>
<td>22.2%</td>
<td>22.2%</td>
<td>11.1%</td>
</tr>
<tr>
<td></td>
<td>(N_b=7)</td>
<td>28.6%</td>
<td>28.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Bank of Canada</td>
<td>(N_a=3)</td>
<td>66.7%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>(N_b=2)</td>
<td>100.0%</td>
<td>50.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Totals</td>
<td>(N_a=24)</td>
<td>29.1%</td>
<td>16.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>(N_b=15)</td>
<td>46.7%</td>
<td>26.7%</td>
<td>26.7%</td>
</tr>
</tbody>
</table>

The strong propensity on the part of deputy ministers to assume affiliations with continentalist corporations after they have retired from the civil service, together with the lack of such affiliations prior to their bureaucratic careers accounts for the rather high figures in the following table. Curiously, and as the following table shows, there were more corporate affiliations of all kinds in the departments of Revenue and Trade and Commerce (using \(N_a\)) during the "before" period than during the "after" period. This finding indicates that whereas the proportion of deputy ministers with corporate affiliations is less during the "after" period than before, the corporate affiliations they do tend to assume in the "after" period have usually been with continentalist corporations.
When making these comparisons the second \((N_b)\) measure is better, for the reasons given in the previous section.

**TABLE XII**: Gains in Corporate Affiliations after Civil Service Experience.
\% of deputy ministers who had corporate affiliations after leaving office minus \% of deputy ministers who had corporate affiliations before entering office

<table>
<thead>
<tr>
<th></th>
<th>Any Corp(^n)</th>
<th>Canadian Continentalist</th>
<th>American Continentalist</th>
<th>CDN and/or Amer. Continentalist</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
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<td></td>
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<tr>
<td>((N_a=3))</td>
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<td></td>
</tr>
<tr>
<td>((N_b=2))</td>
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<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>-33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Mines &amp; Resources</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=6))</td>
<td></td>
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</tr>
<tr>
<td>((N_b=3))</td>
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<td>Finance</td>
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<td></td>
</tr>
<tr>
<td>((N_a=3))</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=1))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>33.3%</td>
<td>100.0%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Trade &amp; Commerce</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=9))</td>
<td></td>
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<tr>
<td>((N_b=7))</td>
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<td></td>
</tr>
<tr>
<td>Trade &amp; Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_a=3))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>((N_b=2))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Canada</td>
<td>66.7%</td>
<td>33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
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<td></td>
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<tr>
<td>((N_a=24))</td>
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</tr>
<tr>
<td>((N_b=15))</td>
<td></td>
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</tr>
<tr>
<td>Totals</td>
<td>4.1%</td>
<td>16.7%</td>
<td>16.7%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

With the exception of deputy ministers in the Department of Mines and Resources, the proportion of deputy ministers who acquired continentalist corporate affiliations after they left office is comparable to that found for ex-cabinet ministers. However, unlike the cabinet ministers, deputy ministers had acquired no continentalist corporate affiliations before they became deputy ministers. This is most likely due to the fact that ever since the late 1930s and particularly as a result of the influence of O.D. Skelton and W.C. Clark, the federal bureaucracy has
become an institution for career civil servants. Consequently, deputy ministers have usually attained their offices only after having served a long apprenticeship and tenure. This is, of course, not true for cabinet ministers and particularly Liberal cabinet ministers. There is a long tradition of bringing ministers into the cabinet after they have achieved success elsewhere. This difference in career patterns means that cabinet ministers have had opportunities to acquire corporate affiliations before their political careers have begun - opportunities which their deputy ministers have not had.

This difference in prior corporate affiliations aside, the continentalist corporate affiliations of deputy ministers after they leave office illustrates a substantial set of mutually beneficial linkages between Canadian government and the continental economy. These too help to account for the politically costly concessions made by Canadian government to the American state.
FOOTNOTES - CHAPTER 5

(1) This criterion was relaxed in the case of the Department of Mines and Resources. Given the heavy American investment in Canadian mines and natural resources, it was felt that this department should not be omitted. The department was dissolved after the St. Laurent administration ended and most of its functions given to the Department of Northern Affairs and Natural Resources, a new department. This department was in turn reconstituted in 1966 and became absorbed, in large part, into the Department of Indian Affairs and Northern Development.

The reason for choosing the period 1935-1970 was that this was the period during which American direct investment, i.e., the American multinational corporation, grew most markedly in Canada.

(2) In addition, and as a measure of their political importance, it is noteworthy that all of the cabinet ministers chosen were members of what Dawson calls the "second group" in the Canadian executive. This group has a status second only to that of the Prime Minister and its members are or were the "immediate associates of the Prime Minister in the day-to-day business of department administration". R.M. Dawson, The Government of Canada, Toronto, University of Toronto Press, 1963, p.183.


(4) A note on sources: the list of relevant cabinet ministers was obtained from the Canadian Parliamentary Guide, Ottawa, Queen's Printer, various years; the Guide to Canadian Ministries since Confederation, Ottawa, Queen's Printer; and the Canadian Directory of Parliament, Ottawa, Queen's Printer.


(6) Sources for this information include Inter-Corporate Ownership, 1965, 1967, Ottawa, Queen's Printer; Moody's Industrial Manual; Poor's Register of Corporations; Poor's Government and Municipal Section; Investments, Trusts, Real Estate, etc.; Moody's Manual of Investments; and Poor's Industrial Section.

(7) The number of affiliations in this category is biased downward, since, particularly for the earlier years, data are not available or are incomplete concerning these continental interests. This is particularly true of data on shared ownership which only became available with the publication of Inter-Corporate Ownership, op.cit.

In addition, it should be pointed out more generally that all
of the data on corporate affiliations is biased downward. This is true for several reasons. Not all of the possible corporate affiliations were included. For example, there is no information concerning contracts between corporations and legal firms with which several of the political elites are or have been associated. Moreover, it is probable that not all directorships and executives appointments of the individuals have been found - this, despite the fact that several good sources were used, and all findings were cross-referenced for additional findings. Finally, no affiliation was attributed to an American corporation or a Canadian corporation with a continentalist interest unless it could be proven. As stated previously, many of the available sources are unfortunately deficient in this respect.

(8) Again the number of such affiliations are probably downward biased since the ownership characteristics of some firms were not available.

(9) See footnote 1; this chapter.

(10) For the legend, see section C of this chapter.
Hegel starts from the state and makes man into the subjective aspect of the state; democracy starts from man and makes the state into objectified man.

-Marx

Clearly, Canadian economic and political subservience to the United States are two interdependent conditions borne largely by the same process: the flood of American equity capital into Canada and the creation of a branch plant economy. American multinational corporations are the embodiment of this process. Many bonds, both legal and tacit, tie these firms to the Canadian state. Consequently, American corporations have been carriers of U.S. economic controls and influence, which in turn have been readily converted into political leverage. Washington's effective intrusion upon broad areas of Canadian state policy and jurisdiction have been the direct result. But Canadian political subordination is a function not only of American power but also of Ottawa's response and attitude toward the use and sources of that power.

Instances where the U.S. government has used or threatened to use its authority over American firms to further objectives contradicting Canadian interests have been met by two kinds of reaction from the Canadian government: acquiescence or mild protest. The first is more common. It underscores a general attitude which, while perplexing at first blush, is consistent with the evidence and explanations offered here. The second type of reaction is less frequent but more instructive, insofar as it facilitates an understanding of the ways American power is exercised in Canada and is helpful in analysing the relative strengths of the American and Canadian governments in particular conflict situations.
As the case studies demonstrate, protests by the Canadian government have been unsuccessful even in defense of important 'national interests' supported by all parties and bolstered by public opinion.

It would be reasonable to expect that in general a long experience of frustrated goals and failed protest would give rise to a negative attitude on the part of the Canadian government toward the mainstay of American power in Canada, the American multinational corporation - that the Canadian government would attempt measures designed to govern these firms and limit their discretions, or barring this, to discourage their continued entry and growth. Paradoxically, despite widespread recognition among government elites and the public alike that American multinational corporations are the primary source of Washington's strength in Canada, the Canadian government has sought neither to regulate them nor to deter them. In fact, the Canadian government has long been embarked on exactly the opposite course. It has been a consistent theme of government policy to attract American firms and to encourage their expansion. Canadian governments appear to be more than resigned to an unfortunate fate; they seem to welcome it. This curious behavior begs explanation.

The sense of paradox perceived in the attitude and policies of government elites, toward a challenge which questions both their power and their legitimacy, rests upon certain hidden premises about the nature of the state. These have enjoyed widespread acceptance both in Canada and elsewhere in the 'free world'. They form the basis of the pluralist model of state power. (1) Central among these is the conviction that the Canadian state, i.e., those institutions such as Parliament, the courts and the civil service which speak in its name, are 'representative' of society at large. Hence, we are told for example:
"The House of Commons is the great democratic agency in the government of Canada ... the organized medium through which the public will ... exercise its ultimate political power. (...) The fundamental importance of the House of Commons is derived from its essential representative character, the fact that it can speak ... for the people. It represents in condensed form the different interests, races, classes and occupations, whose ideas and wishes it embodies with approximate exactness."(2)

And again, but with respect to the cabinet:

"The most notable characteristic of the Canadian cabinet is the representative nature of its membership: the Cabinet is in a unique degree the grand co-ordinating body for the divergent provincial, sectional, religious, racial and other interests throughout the nation."(3)

Thanks in part to a tradition bequeathed by Weber(4) which has been much respected since, the administrative arm of the Canadian state is also considered representative, but in an indirect and passive sense since its members are not elected and do not undergo screening by the electorate. Instead, its representative qualities are held to devolve from its 'non-political' nature and the view that it acts as a neutral servant of representative parliamentary government:

"The executive and the public service in Canadian government are in one respect engaged in discharging a common function, the enforcement, application, and development of national policies, but the distinction between the two is never in any doubt. The executive is a political body; the public service is non-political ..."(5)

Dawson's subsequent argument that the civil service is effectively subordinated by the cabinet has recently been severely criticized,(6) but his fundamental proposition that the public service does not play a politically partisan or 'unrepresentative' role has yet to be discarded.

Not all pluralist theorists make such exaggerated claims on
behalf of the representative character of the Canadian state. A major variant of the pluralist model posits a state which represents the interests of only the dominant but competing elites in society. Even here, however, it is contended that in the process of brokerage politics and the aggregation of competing elite interests the broader public interest is served. Whether the state is deemed to be representative in the first instance or derives a representative effect from inter-elite struggle, the cardinal pluralist tenets about the nature of state power are purported to hold: the state is not dominated by any particular elite or elite system; it has a separate identity of its own. In addition, because it functions as the ultimate political aggregator and adjudicator this identity is both above and broader than the narrow, parochial interests of a single elite or elite system. According to either the crude representative strain in pluralist theory or the more sophisticated democratic elitist school, it remains of crucial importance that the state play a meaningfully independent role. Conventional expectations about the behavior of the state are firmly grounded in these premises. More specifically, when the prerogatives and legitimacy of the pluralist state are challenged by any elite it is anticipated that the state will defend its position.

The attitude of the Canadian government toward American multinational corporations need seem paradoxical only if the foregoing postulates of the pluralist model are true. Two important findings explained in this paper call these postulates into question. The first concerns the fact of a convergence of interest among corporate elites in Canada in favour of the continuation of economic continentalism. Large segments of Canada's industrial and resource economy are already highly dependent
upon this process. More are becoming so. This is not to say that
corporate elites in Canada have achieved complete harmony over all issues.
But they have achieved accord in their general outlook regarding the
advantages of a continental future. A substantial consensus exists
which gives a valuable premium to continued North American economic
integration. Policy proposals having potential for endangering that
process, for whatever 'political' or 'national' reasons, have only been
received with alarm by this consensus. This mutuality of interest and
perspective renders illusory the supposed competition between corporate
elites. Moreover, while there exists widespread concern among the
unorganized Canadian public, no other elite or elite system has chosen to
contest the issue with the corporate elites.

The second finding upon which the pluralist model founders is the
lack of appreciable separation between state and corporate elites in
terms of their membership. Porter has already shown that they tend to
have the same backgrounds. In addition, and perhaps more significantly,
that data in the previous chapter show that there exists a tangled web
of inter-connections between the political and bureaucratic state elites
on the one hand and continentalist corporations on the other. A sizeable
number of cabinet ministers have been intimately identified at the
highest levels with these corporations before they entered office. More
were recruited by corporations after they retired from their posts. Among
bureaucratic elites co-optations to continentalist corporations occurs
most often after they have left their government responsibilities. But
whatever sequence of occupational history one wishes to emphasize, it
remains clear that the continental interests of corporate elites are strongly
entrenched among the state elites in both the cabinet and the senior
civil service. Expectations about government behavior and attitudes which
are contingent upon the broader and different interests of an independent state *vis a vis* these corporate elites must therefore be strongly qualified.

In summary, this thesis proposes the existence of a hybrid elite, a partial corporate elite - state elite symbiosis, woven together by common affiliation with the continental economy and reconciled by mutual self-interest. This hybrid elite is distinct from the concept of a "ruling class" or "power elite" in that it does not entail the more or less complete fusion of government and corporate elites often implied by those terms. (9) The data and other evidence presented in this paper, while systematically biased toward minimal results, (10) are insufficient to sustain this implication. But they do prove the existence of a sizeable overlapping membership and a joint set of material and career benefits between continentalist corporate and state elites - in effect, a cross-breed between them, but not their wholesale merger. It is the main concluding argument of this paper that the continentalist preferences of this hybrid elite instill government policies with a strong disposition in the same direction.

To complement the continentalist logic of this hybrid elite and the material motivation emphasized in this paper, it should be explained that there is a normative rationale for the continentalist preferences of Canadian government elites. This rationale is found in what might be called the business ethos of Canadian society. This ethos, which expresses itself in admiration for and deference to the interests and activities of corporate elites, is less a system of well-defined values than an agglomeration of half-articulated attitudes and a general mood permeating much of Canadian life. It helps to conciliate the tension in government policy formation which in its absence might more easily be seen as a conflict between public and personal interests.
It is instructive that Canadian politicians and civil servants take no pains to disguise their connections with corporations, continentalist or otherwise. Indeed, disclosure of these affiliations is voluntary and is often used as an indicator of individual achievement, a confirmation of high social status and a source of personal pride. In addition, the intermingling of corporate and state affairs is a phenomenon of long standing and legitimated in Canada by ample historical precedent. But in the final analysis neither the attitudes of politicians and civil servants toward their own behavior, nor tradition, are the best guides to an appraisal of what is popularly considered to be ethically appropriate. The source of judgment is society in general. Yet Canadian society, too, has given little indication that it disapproves. It is here that the business ethos bears major responsibility for conditioning the mass of Canadians to accept the equation of particular and private corporate interests and goals with national and public interests and goals. The business ethos may also be a factor behind the peculiar selective perception of political scientists like Dawson who were or are convinced that the Canadian government is "representative". For it is true that the Canadian government is representative to the extent that it encompasses the myths and attitudes of those imbued with the business ethos.

The seminal force in creating the multifaceted mythology of the business ethos was the advent and development of capitalism itself, first in primitive, small-scale, production and eventually as the beginnings of modern corporate capitalism. The often self-destructive and frequently anti-social attributes of capitalism — the concentrated accumulation of society's wealth in the hands of a few, the elevation of money to the dominant measure of human and social value, the fierce competition between individuals for economic superiority over each other — necessitated
the fabrication of a new societal morality. Complete success in this quest for an ethical rationalization of these attributes has yet to be achieved; there is still no integrated, holistic testament to the virtues of capitalism; the strain to reconcile moral 'ought' to capitalist 'is' persists. But there is a central strand in the business ethos which gives it a certain unity and which goes a long way toward meeting these requirements. This has been called by Max Weber the "ethic of ascetic Protestantism"(12). By emphasizing man's personal relationship to a stern and demanding Old Testament Jehovah, certain Protestant sects gave birth to the belief that this-worldly material success was evidence of a pre-determined and other-worldly benediction. The secularized version of the same myth is contained in the Horatio Alger story of eventual rich rewards for honesty, sobriety, modesty and most of all, hard work. The hero of the tale raises himself from poverty and insig-nificance to become the epitome of the modern 'good man' - the prosperous 'self-made' capitalist. Both the religious and secular renditions have aided in translating the sins/faults of avarice and selfishness into the virtues/merits of thrift and enlightened self-interest. They transformed the injustice of proletarian poverty alongside bourgeois affluence into the Will of God/Human Nature. Canada shares in this tradition and mythology as much as any Protestant capitalist society. Alone this would be a firm basis for the business ethos in Canada and the consequent respect and admiration accorded almost prima facie to the businessman and to corporate capitalism.

There are, however, other factors in Canada which have contributed to the business ethos. A partial tally includes the relative lack of the kind of capitalist excess experienced in the United States during the robber-baron era and exemplified in England by the Poor Laws; the pre-velence of religious, regional and ethnic cleavages over class cleavages
within the electoral arena; the muted character of such class distinctions as accent and ritual dress(13); the predominance of a brokerage and personalized style of politics as opposed to principled and substantive politics, and a widespread tendency to gauge the quality of life in Canadian society by reference to the worst standards of comparison e.g., the Depression of the 1930's and Soviet totalitarianism. All of these and numerous other factors serve to affirm and reinforce the Canadian business ethos and tend to colour public attitudes toward corporate capitalism in pastel shades. Together with the Protestant ethic and the conditioning influence of the mass media,(14) they attune the Canadian public to the view that general business interests are largely consistent with their own interests and with the 'national interest'. This is especially so in respect to national interests in Canada where the absence of a well-defined sense of national identity makes it difficult to bring national interests into focus. Consequently the authority of the business ethos is enhanced and there is less likelihood of it being found wanting in comparison to a broader framework of social values.

The hybrid of Canadian state and corporate elites relies heavily upon the prominence and authority of the business ethos to justify its continentalist policies - both to maintain public acceptance and to preserve their own personal sense of integrity. This latter aspect of the business ethos, the probability that it is strongly internalized among the government elites under review,(15) makes dubious the otherwise cogent brief of conscious political corruption. It is for this reason as mentioned in chapter 4, that both a conspiracy thesis and a moral condemnation are considered unwarranted.
FOOTNOTES - CHAPTER 6

(1) The best known works expounding this model, both descriptively and prescriptively, pertain to the United States. Among those which are concerned with the sources and purposes of power at the national level are David Truman's much acclaimed textbook, *The Governmental Process*, New York, A.A. Knopf Inc., 1951, and A.M. Rose's recent study, *The Power Structure*, New York, Oxford University Press, 1967. In Canada, the pluralist view is also widely accepted. Two pluralist political science textbooks in particular have long been considered authoritative. In terms of popular usage in undergraduate courses they are probably still the most widely read studies of the structure of Canadian state power. These are J.A. Corry and J.E. Hodgetts, *Democratic Government and Politics*, Toronto, University of Toronto Press, 1959; and R.M. Dawson, *The Government of Canada*, rev., Toronto, University of Toronto Press, 1964.

(2) Dawson, *op.cit.*, p.331. (The emphasis is mine.)


(5) Dawson, *op.cit.*, p.255. (The emphasis is mine).

(6) Eric Hehner, "Growth of Discretions - Decline of Accountability" in W.D.K. Kernaghan ed., *Bureaucracy in Canadian Government*, Toronto, Methuen, 1969. While Henner is critical of the growth of independent bureaucratic power and asks that if it cannot be controlled it should at least be recognized, he does not extend his criticism to the view that bureaucratic elites consciously promote other than essentially bureaucratic interests.


(8) Canadian corporate elites are comprised of the chief shareholders, presidents, board chairmen, directors and senior executives of the major corporations in Canada, both Canadian and foreign-owned. Included as well are the owners, managers and directors of the major financial institutions such as banks and trust companies who are themselves strongly connected with the above corporations. See L.C. and F.W. Park, *Anatomy of Big Business*, Toronto, Progress Banks, 1962, chapter IV and tables II, III, IV, V, VI, VII, X and XI of the appendix.

(10) Reference is made here to the fact that incomplete data about the corporate connections of government elites makes the number of these connections a minimal estimate. This is, of course, biased away from the conclusion of this paper—a bias which lends added strength to it.

(11) The years during which Sir John A. Macdonald was in power were perhaps the most noted for exhibiting an obvious alliance between business and government and between business interests and national interests. But this was hardly exceptional in the context of the times and Macdonald certainly never claimed to view the national interest in modern liberal-democratic terms. What is significant is the fact that strong business affiliations with government remained substantially unaltered over time. In 1913, for example, H.R. Emmerson, an ex-cabinet minister in the Liberal government, observed to the House of Commons that "the great transportation interests, the great banking interests and the great industrial interests of this country... enter the door whether it is open or shut, and they care not whether that door is to your right, Mr. Speaker, or to your left." Hansard, January 30, 1913, p.2419. Similarly in 1921, Mackenzie-King, who incidentally, had himself been affiliated with American corporations, pointed to "the real though invisible government... of interwoven financial, manufacturing and transportation interests". Hansard, May 19, 1921, p.3603. Both quotations cited in Park, op.cit., p.54.


(13) Unlike the case of Britain for example, the chief indicators of upper-class status in Canada are neither worn, driven nor spoken. They include less visible indicators such as private education and membership in certain select clubs.

(14) Attention was paid to this factor in Chapter 3. For an insightful extended analysis of the role played by the mass media in legitimating the business ethos, refer to Ralph Miliband, The State in Capitalist Society, London, Weidenfeld and Nicolson, 1970, chapter 8.

(15) I am indebted to Professor George Grant who first explained the importance of the secularized protestant ethic to me and its place in this thesis for an understanding of both public attitudes and elite motivation. Subsequently Professor Walter Young pointed out the same interpretation, calling it the "business ethos".
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Other data crucial to this thesis were found in the following manuals: The Financial Post Directory of Directors, Who's Who in Canada and Moody's and Standard and Poor's financial manuals.