THE CONTEXT FOR PLANNING IN CANADA: A CRITIQUE OF CANADIAN POLITICAL ECONOMY PERSPECTIVES

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Abstract

The Canadian political economy school has argued since the late 1960s that Canada shares economic and social characteristics with semi-colonial third world countries. Consistent with this 'dependency' influenced assessment of the Canadian social formation it has also usually argued that national economic sovereignty should be a strategic concern in popular and socialist programs. This study critically evaluates this view of the economic and social context for planning interventions in Canada, in particular by examining the main empirical evidence traditionally advanced in its favour, namely the relative extent of foreign economic control in the Canadian economy.

The study first reviews the various characterizations of Canada in the political economy literature, with an emphasis on the empirical evidence offered in their support. It then extends and broadens previous examinations of foreign economic control in Canada using recently released Statistics Canada data on foreign control of corporate assets and revenue up to 1992, and by comparing Canada with other OECD countries on the basis of the extent of inward and outward foreign direct investment (FDI).

The studies main findings are that:

i) The exclusion of the financial industries in most previous discussions of the level of foreign economic control in Canada has resulted in the actual level being overstated - in nominal terms, by about one-quarter;

ii) Contrary to dependency influenced predictions of the period, foreign control of the Canadian economy decreased very significantly after the early 1970s, though this declining trend apparently ended and even partially reversed after the mid 1980s. Given the central place of the US in dependency accounts it is notable that the decline in US

economic control has been greater than for all foreign control, and does not appear to have recovered in the recent period up to 1992;

iii) The dependency influenced categorization of Canada with countries like 'semi-colonial' Argentina or even 'peripheral' Spain cannot be sustained when the evidence shows that in absolute, but especially relative terms, Canada ranks as a world leader in the scale of direct investments held in other countries. Canadian FDI in the US has also been growing considerably faster than has US FDI in Canada;

iv) The level of foreign economic penetration in Canada is notably higher than most OECD countries. However, when the relative size of the Canadian economy, a 'natural' degree of continental integration and recent trends among other OECD countries are considered, Canada is not as exceptional in this regard as has often been suggested.

The study concludes that this evidence indicates that Canada is more accurately conceived of as a major advanced capitalist country than a dependent (if rich) semi-colony, and that planning interventions based on the latter assessment are not only likely to fail, they are a major diversion from the required strategy.

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Chapter 1: Introduction

1.1 Re-thinking the context for planning in Canada

Effective planning relies to a considerable extent on accurate assessments of its economic and political context. This study was motivated by the perception that a widely-held approach to planning issues in Canada is deeply flawed by the conception of Canada as a kind of semi-colonial or dependent (if relatively rich) country. By examining the traditional empirical basis for this 'dependency' perspective, this study aims to develop greater clarity on the general context for planning interventions in Canada and so contribute to more accurate definitions of particular planning problems.

1.2 Problem statement

The particular character of capitalism in Canada is widely characterized in the Canadian political economy literature as "falling between social formations" in sharing characteristics of both the rich imperialist nations and the semi-colonial third world.[1] A number of social and economic problems (e.g. high rates of unemployment, environmental degradation) are regularly attributed in significant part to Canada's 'third world' characteristics, i.e. the high levels of foreign ownership of the economy and associated patterns of large resource exports and a 'truncated' industrial economy.

Consistent with this analysis, policies promoting greater Canadian 'national' control or sovereignty occupy a strategic place in most political economy school approaches to policy and planning interventions. Even social actors who traditionally eschew nationalist in favor of class or other group interests (such as leaders of the labour and women's movements) have almost universally adapted to this perspective (if in the less explicit form of recently arguing, for example, that supporting nationalist campaigns against the Canada-US and North American Free Trade Agreements "optimized conditions" [2] for advancing their own goals).

However, if Canada's social formation is essentially similar to (rather than exceptional among) advanced capitalist countries, from the traditional point of view of Labour and social movements such concerns with 'foreign domination' of Canada are misplaced. Most adherents to the political economy approach would agree that while nationalism is a necessary and appropriate ingredient in the strategy for genuine socio-economic development in a semi-colonial or dependent country, it is at best a distraction from more relevant concerns in an advanced capitalist county. For example, in an international market where labour productivity outruns effective demand, a nationalist economic strategy only exacerbates competitive pressures and with them workers' vulnerability to employers' demands for cutbacks in direct or social wages.

1.3 Hypothesis

The general hypothesis of this study is that rather than sharing in any significant way the relevant characteristics of dependent semi-colonies the Canadian social formation is more accurately included among the most advanced capitalist countries in the world.

Briefly, the former, 'dependency' position[3] emphasizes an exceptional level of foreign economic ownership and control in Canada. It links this foreign influence to what is seen as over-reliance on resource extraction and a weak, 'truncated' manufacturing sector. It further considers that the economy as a whole is controlled by foreign (specifically US) corporations, with the Canadian bourgeoisie largely restricted to mercantile/financial sectors and overall subservient to US capital.

In contrast, the 'advanced capitalist' position holds both a lower assessment of the level of foreign control of Canada and links this foreign penetration to a general historical trend in world capitalism. This approach strongly emphasizes the large scale of Canada's own foreign investments. It rejects the dependency focus on the role of foreign ownership/control in shaping Canada's industrial structure, and generally downgrades foreign ownership as a defining characteristic or issue in the Canadian social formation. Against the dependency assessment that foreign capital rules Canada, it identifies a relatively strong and independent Canadian bourgeoisie based in finance capital (unified financial-industrial capital) as the dominant social force in this country.

These perspectives are separated by large conceptual differences which are not the subject of this study. Rather, it tests a narrower and more definable empirical hypothesis related to Canada's international investment position, i.e. the relative extent of and trends in foreign investment in Canada on the one side, and of Canadian investments outside the country on the other. The focus is on examining the empirical evidence on the relative foreign economic control in Canada, as this issue goes to the very centre of the two counterposed perspectives above.

The formal hypothesis on Canada's international investment position to be investigated is

i) Whether the exclusion of the financial sector in almost all of the previous empirical estimates of foreign control of the Canadian economy significantly overstates actual foreign control;

ii) Whether the trends in foreign control over the last couple decades contradict dependency predictions of a progressive loss of domestic control over the Canadian economy as a whole and/or strategic sectors like manufacturing;

iii) Whether the view of Canada as a kind of semi-colony is belied by the extent of Canada's own foreign investments; and

iv) Whether the level of foreign ownership and control in Canada is similar to that in other advanced capitalist countries for which dependency perspectives cannot be advanced.

1.4 Sources of Evidence and General Methodology

A number of writers have previously advanced arguments and evidence against the 'dependent Canada' approach and advocated one or other version of an advanced capitalist perspective (e.g. Moore and Wells (1975), Carroll (1986), Resnick (1989), Kellogg (1991) and Richardson (1992). Statistics Canada has recently provided additional estimates of foreign control to those previously cited in the political economy literature, and published more current data for the measures traditionally used (up to 1992, compared to 1988 in the most recent previous study). These recent data are especially significant because they broaden the measures of foreign control to cover all major sectors of the economy, and extend the data into a period during which these issues were again widely discussed (e.g. in relation to the Canada-US. and North American Free Trade Agreements). Data for comparisons of the Canadian economy with other OECD countries are drawn from United Nations compilations from the various national sources.

After reviewing the evidence in the literature for the various characterizations of Canada, this study tests the more specific hypothesis described above on Canada's international investment position. It can be generally considered a case study of Canada as either a rich dependent or advanced capitalist country.

1.5: Theoretical framework, major assumptions and bias

The theoretical framework for this study is a socialist approach which emphasizes the role of class interests, a general division of the world between oppressor and oppressed nations, and the gathering economic and social crisis of this world system.

The most relevant assumptions of this study are :

i) that the planning perspectives on issues associated with Canadian sovereignty hinge on whether Canada has a dependent or semi-colonial relation with the US, and not, for example, on general notions of 'globalization' as some kind of *universal* dilution of national economic sovereignty, or of a 'post-Fordist' de-industrialization relative to the NICs (newly industrializing countries). While many former adherents of dependency approaches in the Canadian political economy school have more recently adopted such frameworks, it is assumed here that a more classical depiction of sovereignty/nationalist issues has retained its relevance;

ii) that the main issues in question can be usefully examined first at the economic level alone, i.e. without extensive consideration of other important aspects, e.g. national culture, geopolitics etc.; and

iii) that the available data on the nationality of ownership and control of direct corporate investment and of foreign direct investment are an adequate index of broader foreign economic influence, i.e. consideration of indirect forms of foreign economic influence (e.g. monetary policy) are excluded here.

The author's bias against Canadian nationalism at the outset of this effort is rooted in his first- hand perception of its role in weakening labour and international solidarity movements in Canada.

1.6 Objectives

The objectives of this study are to review the evidence available on the general hypothesis above; to test the specific hypothesis on Canada's international investment position; to provide a basis for further research on these questions; and to help clarify what is (or at least what is not) an appropriate conceptual framework for policy and planning interventions in this country.

1.7 Outline of this study

Chapter 2 of this study reviews the political economy literature for the various positions and evidence related to the general hypothesis on the nature of the Canadian social formation. It describes the evolution of the "dependent Canada" characterization and summarizes the arguments of several writers critical of this perspective, along with certain other evidence relevent to such positions.

Chapter 3 presents and evaluates the evidence for the hypothesis on Canada's international investment position. It first reviews several different estimates of foreign ownership and control of the Canadian economy, focusing on data made available after the studies described in Chapter 2. It then compares the levels of foreign economic control in Canada and the extent of Canadian investment abroad with that in other OECD countries.

Chapter 4 concludes this study by summarizing the evidence presented on the general and specific hypotheses, and suggests areas for further research.

Chapter 2: Review of the Canadian Political Economy Literature

2. 1 Introduction

This chapter is a review of the Canadian political economy literature for the various positions and evidence on the nature of the Canadian social formation. By way of introduction to this topic, the following overview has been offered by Glen Williams:

> Since the late 1960s, political economists have offered at least four descriptions of Canada's role in the international order: dependency, intermediate, advanced imperialist and region in the centre. The dependency school, which was dominant in the 1960s and 1970s, argued that Canada is an economic colony with a client state. Later, neo-Marxist class analysis held that only Canada's historical specificity separates it from other advanced Western societies and polities. Moderates temporized: Canada is an intermediary, sharing features of both the dominant and dominated tiers in the world capitalist economy, and, depending on the weight of their analysis, moderates have frequently suggested that Canada is progressing or regressing in one direction or the other. (Williams, in Clement, 1989, 116) [4]

As Williams suggests, the general trend in this school has been a development out of more orthodox dependency approaches to intermediate views. What he refers to as the neo-Marxist position (which occupies much common ground with the advanced capitalist position referred to in this study) has always been a small minority. From this author's point of view the difference between the 'dependency', 'intermediate' and 'region' positions are more a matter of degree than kind; they all share a strong 'Canadian exceptionalist' opinion that external, imperial interests govern Canada's economic and social character in ways that are qualitatively more significant than for major capitalist countries like Britain, Germany, France, Sweden, etc.

This review will follow the major contributions in the literature in roughly chronological order. However, the works of each author will be grouped together, which sometimes disrupts the chronological sequence. It should also be stressed here that neither these categories nor the general development in viewpoints are necessarily representative; the main point here is to document the various characterizations, and record the main theoretical or empirical arguments that were added by these contributions to the discussion in the Canadian political economy school.

In particular, this review was carried out with an eye to the empirical evidence presented on

i) the extent and trends in foreign ownership/control of the Canadian economy;

ii) the amount and kind of Canadian foreign investment;

iii) the nature of the industrial economy and its relation to foreign control; and

iv) the character of the Canadian bourgeoisie.

As suggested in Chapter 1, these tend to be the key points on which the dependency and advanced capitalist positions are on opposite ends of the spectrum, with the intermediary position somewhere between.

2. 2 Positions before the 1970s

2.2.1 Several early positions

The modern Canadian political economy school is usually dated from the mid to late 1960s, but several writers before this period should be noted for their positions on some of the central questions around which this school later developed.

In 1914 a populist American financial journalist published The History of Canadian Wealth (Myers, 1972). This book described the initial origin of corporate and family wealth in Canada in the exploitation of native labour in the fur trade and through large land grants to the British colonial favorites. In the period of Confederation onwards Myers details the prominent role of graft and corruption in the granting of bank and railway charters, which, along with massive subsidies from public funds allowed a small number of politically connected capitalists to amass huge personal fortunes without even investing significant capital of their own. Myers set out a theme for all subsequent studies of corporate wealth in Canada in writing that:

> The rapid concentration of wealth in Canada is no mere fancy. Already, it is estimated, less than 50 men control $4,000,000,000, or more than one-third of Canada's material wealth as expressed in railways, banks, factories, mines, land and other properties and resources. (Myers, 1972, xxxi)[5]

Another important historical footnote is the early position of the Workers [Communist] Party on Canada's position. In 1926, party leader Maurice Spector argued that Canada was a 'transitional' form of democracy, and that real independence would be won only by a workers and farmers republic. However, the party also urged workers to support Liberal Mackenzie King in the coming election, as it was judged he would press for full independence from Britain (foreign affairs in Canada were still formally under Westminister's control, for example). The party's newspaper also noted that U.S. imperialism should be watched, as it was making inroads on Canadian independence.

The slogan of Canadian independence was dropped by the party in 1929, likely as part of the Comintern's ultra-left 'Third Period' policy. A few years later the issue of national independence was rediscovered, and over the decades since then Communist Party has increasingly characterized U.S. domination as a strategic question for Canadian socialism; in place of the workers and farmers government it has promoted the 'anti-monopoly' alliance of popular forces with 'independent' wings of the capitalist class (usually identified in Liberal Party). Party leader Tim Buck described the Canadian bourgeoisie in Canada in the post-WW2 era as both imperialist and dependent, but argued it was being increasingly drawn under U.S. domination by the rise in foreign investment. In his account, the 1947-1948 Abbott Plan of then Prime Minister St. Laurent was

> ...the legal lever by which finance capital and its government of the day in Canada brought about a radical change in the relationship of Canada to the United States *literally overnight*. (Buck, quoted in Carroll, 1986, 54; emphasis added)

In the late 1950s Libbie and Frank Park's Anatomy of Big Business (Park, 1962) provided an empirical description of finance capital in Canada along classical Hilferding-Lenin lines while advancing a similar political perspective as Buck's. Through a detailed analysis of the pattern of interlocking directorships among large public Canadian corporations in 1958 they drew a picture of several principle corporate networks centered around leading Canadian financial institutions. However they also found that these networks were closely integrated with major U.S. capitalists. The Parks' conclusion was that Canadian finance capital existed but was closely integrated with and dominated by U.S. finance capital, so that independent Canadian development was being subordinated to a continental capitalist economy organized to mainly benefit US capital.

Finally, John Porter's classic, The Vertical Mosaic (Porter, 1956) deserves mention here. His sociological analysis of economic elites was based on the pattern of interlocking directorships in the 183 "dominant" corporations in the country, and it demonstrated the existence of a small, stable elite which controlled an overwhelming portion of the economic assets in Canada. In considering whether it was necessary to distinguish a foreign fraction of this economic elite Porter thoroughly detailed the degree of external (especially U.S.) ownership of the economy in Canada. As the following quotes indicate, however, he did not consider the nationality of ownership/control to be a central issue:

> Corporations, however, are governed by human beings who behave in accordance with a set of institutional norms - those of corporate capitalism. To argue that national sentiments and the "national interest" would supplant the historical and inexorable norms of capitalist enterprise is to reveal an ignorance of the capitalist economy. (Ibid., 269)

After considering several examples of the careers of U.S. executives in Canada he commented that

> It is as difficult to tell the borderline at which a corporate executive ceases to be an American and becomes a Canadian as it is to tell the borderline between being tipsy and being drunk....As has been argued, it is doubtful that nationality is relevant to the logic of corporate behavior. (Ibid., 273)

2. 2. 2 Harold Innis and staples theory

Acknowledging the role of Harold Innis is apparently a compulsory feature of every discussion of Canadian political economy. Most conventional interpretations of Canadian economic history emphasized how initial exploitation of Canada's rich resource endowment provided a positive base for industrialization and modern economic development (see e.g. MacIntosh, 1933, p. 7). Harold Innis is best known for also addressing certain negative sides of resource-export or 'staples' economies. His influential interpretation of the development of Canada was that it was not just shaped by the pattern of successive staple exports (e.g. furs, timber, wheat) to the metropolitan centres of western civilization, but shaped in a way that also tended to deform or impede independent industrial growth (Innis (1956, 1970); Watkins (1963, 1977).

The main reasons Innis cited for this tendency were a debilitating succession of adjustment crises to the changing demands for staple products in metropolitan centres, and the burden of high capital costs of required infrastructure to transport the staples to market. As a result of the staples development pattern, Canada remained a hinterland economy lacking the self-referenced process of broadly-based production and growth characteristic of the earlier industrialization in metropolitan centres.

Innis' approach shared ground with U.S. institutional economists like Thorstein Veblan in recognizing that more than simple factor endowment and comparative advantage determine a country's economic prospects; that the influences of geography, technology and institutions cannot be ignored, and that the state is particularly important in shaping the pattern of capital formation. Along with bequeathing the framework of successive resource exports for understanding the pattern of Canada's development, Innis also influenced the evolution of the new political economy school in the 1970s by providing this later generation of young academics chaffing in the straight-jacket of 'American' neoclassical theory with a respectable *Canadian* pedigree for alternative approaches.

Mel Watkins was in large part responsible for popularizing Innis' approach in the younger generation of scholars, beginning with an article published in 1963. He highlighted a theme from Innis' work that would later gain wide currency in the dependency approach:

> A more real difficulty... is that staple exporters - specifically those exercising political control - will develop an inhibiting 'export mentality' resulting in an over-concentration in the export sector and a reluctance to promote domestic development. (Watkins, 1963, in Easterbrook, 1967, 62)

Watkins wrote that Canada was dependent "because a full-blown capitalist class does not emerge", proposing that

> ...the only obstacle to independent capitalism was foreign domination; the obverse of this, is that the failure to remove the obstacle, as in Canada is sufficient to explain - indeed it defines - the persistence of dependency. (cited by Williams, in Clement, 1989, 123)

Watkins was also the main author of the 1968 federal government task force which officially documented in the recent extent of foreign, especially U.S. ownership of the Canadian economy (Watkins, 1968). As a leader of the Waffle movement and editor of Canadian Dimension magazine he has consistently popularized this concern and its expression in social democratic national industrial policy proposals. However, while continuing to insist that foreign ownership is the basic axis of political economy in Canada, Watkins has more recently acknowledged that some writers from the intermediary and advanced capitalist perspectives (to be described below) have also demonstrated

> ...the considerable decrease in foreign (meaning mostly American) ownership of the Canadian economy since 1970 and the offsetting emergence of new centres of indigenous corporate power - an occurrence for which the political economy literature on foreign ownership, from myself and Levitt to Naylor and Clement, hardly prepared us. The Canadian capitalist class is now - and perhaps long has been? - more impressive than some of us thought. (Ibid., 27)

2.3 Early dependency theory [6]

2.3.1 Kari Levitt defines Canadian dependency

It was in Kari Levitt's book Silent Surrender in 1970[7] that the conception of the underdevelopment of Canada as a resource hinterland dominated by a commercial elite dependent on foreign imperialist interests was first expressed in a really clear and coherent fashion (Carroll, 1986, 19).

Levitt drew a rough equation between Innis and the Latin American dependency school (e.g. Prebish (1950) and Gunder Frank (1966), arguing that:

> Innis was the chronological antecedent of the Latin American economists in developing a 'metropolis-periphery' approach to American staple economies. (Levitt, 1970, 46)

Levitt followed Schumpeter's distinction between the role of industrial "entrepreneurs" who really promote economic development by introducing innovations, and that of "capitalists", who are essentially rentiers, lending funds and receiving interest (Ibid., 27-28). To these roots she added her own emphasis on the "new mercantilism" of a particular economic agent, the (foreign-based) multinational corporation.

Silent Surrender argued that Canada had developed out of the colonial mercantile system into independence and nationhood during the epoch of relatively competitive market forces before WW1. Emerging out of colonial status, the new country was able to successfully supplement the too-narrow base of domestic savings with (largely British) portfolio investment (e.g. long term bonds), which did not provide the foreign investor with direct ownership and control of productive assets in Canada (Levitt, 25; 60).[8] With the decline of Britain and the rise of the U.S., however, direct U.S. investments largely replaced British portfolio capital and the Canadian economy was progressively incorporated into a branch plant of the American empire.

Levitt's account highlighted how direct foreign investment negatively affects domestic entepreneurship, and with it, genuine national economic development:

> The executives of branch plants are managers, not entrepreneurs. They dispose of funds, equipment and personnel within the means allocated to them. They do not formulate policy, they administer it...An economy composed of branch-plant industry must of necessity lack the self-generating force which characterizes successful entepreneurship. To the degree that Canadian business has opted to exchange its entrepreneurial role for a managerial and rentier status, Canada has regressed to a rich hinterland with an emasculated, if comfortable, business elite. (Ibid., 77)

Levitt clearly described how foreign branch plants import technology from parent companies, which results in little local research and development. She argued that the branch plant structure "chokes the development of a local capital market"; that "the structure of ownership and control is such that there are barriers to the flow of Canadian savings to finance new Canadian enterprises" (Ibid., 109; 119). Her book aptly described the double bind of foreign ownership - if foreign subsidiary profits were re-invested in Canada they increased the foreign presence, but if they were repatriated to the foreign parent, much-needed capital for industrial growth was lost.

While concern regarding large scale foreign ownership of the economy had been expressed before, Levitt's presentation of the issue was undoubtedly more compelling than previous accounts. Her book introduced a comprehensive series of data from a variety of U.S. and Canadian sources on foreign direct and portfolio investment in Canada from 1867 to 1964. It showed that from 1948 to 1963 total foreign control of Canadian manufacturing had increased from 43% to 60% (and U.S. control from 39% to 46%), and that in certain sectors U.S. control was almost absolute (Ibid., 61). She also emphasized the extent of American predominance in "strategic" sectors where "metropolitan taste-formation and technological and product innovation are crucial", as compared to Canadian control in sectors "characterized by small production units [e.g..."sawmills"]....or...by thoroughly dim prospects" [e.g...."textiles"] (Ibid., 121; 123).

The idea Levitt is probably most responsible for popularizing is the historical abdication of responsibility by Canadian capitalists:

> The Canadian entrepreneurs of yesterday are the coupon clippers and hired vice-presidents of branch plants today. They have quite literally *sold out the country*. (Ibid., 40, emphasis added)

Kari Levitt also identified the very considerable degree of *Canadian* foreign investment, especially by the Canadian banks and resource industries like aluminum in the Caribbean. Anticipating later formulations of the structure of the world system (e.g. Wallerstein (1974) she wrote:

> ...there exists a range of intermediate situations where one country stands, at one and the same time, in a metropolitan relation to some countries and in a hinterland relation to others. Canada falls into this category. (Ibid., 103)

However, Levitt unmistakably viewed the historical momentum in Canada being towards the conditions of hinterland, not metropolis; towards - as suggested by her final chapter heading - a bitter "harvest of lengthening dependence".[9] In her estimation:

> Present-day Canada may be described as the world's richest underdeveloped country. (Ibid., 25)

2.3.2 Danny Drache blames Canada's colonial, comprador bourgeoisie

Having largely accepted the conclusion of Canada's dependence, one challenge for the emerging Canadian political economy school was explaining exactly how and why Canada had lost so much control over its economy. Levitt had suggested that "never has a country's control over the 'commanding heights' of its economy...been surrendered so swiftly, so silently and so hospitably" (Levitt, 1970). As noted above, her explanation highlighted the relatively recent shift to multinational direct investment following an earlier era of at least partially successful national development employing foreign portfolio capital.

Other writers approached the issue differently. Against Levitt's general periodization of Canadian history into colonial, national-development and then increasingly neocolonial status, Danny Drache and Tom Naylor each followed more closely the classical (Latin American) dependency argument that in the colonial hinterlands, the local capitalist class had a colonial or comprador character from its inception (Drache, in Lumsden, 1970; Naylor, in Teeple, 1972). In this account, metropolitan capital blocked any significant independent national development under a national bourgeoisie (see e.g. Frank, 1966). Drache and Naylor, then, saw the flaw in Canada's economic development to be the character of the ruling class from birth.

Drache's early article, "The Canadian Bourgeoisie and its National Consciousness" (in Lumsden, 1970) argued that contemporary Canadian dependence ultimately devolved to the historically comprador mission of the Canadian bourgeoisie as a mediating agent of foreign colonial powers (Carroll, 1986, 6). He wrote:

> The disintegration of the country cannot be seen and studied in isolation from the historic mandate of the bourgeoisie to rule Canada...The bourgeoisie are in the process of dismantling the Canadian state economically, socially and culturally. By this process, Canadian history has come full circle - from a colony to a colonial dependency. (Drache, in Lumsden, 1970, 4-5) [10]

Drache rooted his argument in a selection of quotations from Innis and other Canadian historians to argue that, unlike the aggressively entrepreneurial British and American capitalists, the Canadian bourgeoisie had never pursued anything other than a strategy of "protection, preference, entry and accessibility into imperial markets" (Drache, in Lumsden, 1970, 9). In this account, Canadian merchants and financiers preferred to forgo the risky profits in national industrial competition for the safety of colonial status. Drache proposed that this behavior is consistent with that of the colonial bourgeoisie described by the then-popular Algerian radical psychiatrist Franz Fanon (1965), of a local ruling class devoted to the pacification of its own countrymen in the service of draining economic surplus from the colony to imperial centres (Carroll, 1986, 7).

Drache has been a strong opponent of perspectives on Canadian policial economy that do not substantially draw on Harold Innis' description of hinterland staples economies. In 1983 he co-edited a special "Beyond Dependency" edition of the Canadian Journal of Political and Social Theory that can be easily identified as a response to an earlier Studies in Political Economy issue which criticized dependency and Innisian approaches (the latter which will be described below). The introduction describes the contributors to this special issue as "rewriting dependency theory in new key" (Drache, 1983, 19).

Drache's own contribution to this issue was a spirited defense of the 'left-Innisian' approach as against "the Marxist paradigm, [which] as it has been applied by many Canadian political economists, has not proven as fruitful as in other contexts" (Ibid., 25). Drache argued that the single factor which most distinguished the Left Innisians from the anti-Innisians (the Marxists)

> ... is the emphasis given to the internal/external dialectic in the Canadian social formation. The anti-Innisians deny or minimize the crucial and continuing role of external factors in the formation of Canada. This is their blind spot. (Ibid., 27)

He characterized the Marxist approach to Canadian political economy as assuming that

> ...the social relations in Canada can be studied as a variant of the general case of advanced capitalism....that the long-run trends of all bourgeois societies are significantly more important than their cultural, economic and institutional differences. (Ibid., 41)

Drache labled these views as "metropolitan", for refusing to vary orthodox categories to conform to the conditions of a hinterland economy.[11]

Drache has also rejected major components of the traditional Latin American dependency approach as being appropriate for conditions in Canada, highlighting the significant differences in economic development and social structure. An alternative characterization of this country (that he first advanced in 1975) is "advanced resource capitalism", a hybrid or incomplete form where capitalist relations are based on very highly developed resource exploitation:

> It is due to this mode of capitalist production that Canada finds herself between the two camps of the world economy: under-industrialized by imperial interests, but not completely dependent and sharing some of the social relationships of advanced capitalism such as found in Britain and the U.S. (Drache, in Herron, 1977, 16)

2. 4 Dependency analysis takes hold

Following Levitt's "paradigmatic" work [12] several collections of essays were published which gave form to the increasingly popular adherence to 'left-Innisian' and dependency approaches. (It is noticeable that Levitt's attention to Canada's own foreign investments is conspicuous by its absence in most of this literature as the dependency school concentrated on elaborating the domestic consequences of external domination of Canada.[13]) The early article by Drache described above is found in the first such collection, Close the 49th Parallel etc., The Americanization of Canada (Lumsden, 1970).

Two other such books expanded and cemented this analysis, Capitalism and the National Question (Teeple, 1972), which included a major contribution by Tom Naylor to be discussed below, and Canada Ltd., The Political Economy of Dependency (Laxer, 1973).

2.4.1 The Laxers and the Waffle Movement

This last collection contained the clearest and most consistent elaboration of the political implications of the dependency perspective. It was, in fact, a programmatic statement by the main intellectual leaders of the left-nationalist Waffle group in the NDP.[14] As editor Robert Laxer explicitly detailed in the introduction, the implication of Canada's relation with the U.S. was that, despite the differences in wealth and political structure, popular forces in Canada shared the same strategy as those in Latin America - independence and socialism.

One of the main consequences of U.S. ownership of the economy was considered to be an historically weak and "truncated" manufacturing sector in Canada. Jim Laxer then took this analysis a step further with the theory of de-industrialization. According to this theory, both the absolute weight of manufacturing and its share of the labour force in Canada was rapidly declining as a direct result of U.S domination of the economy and the tendency of U.S. corporations to favour U.S. over Canadian workers in the context of the decline of U.S. hegemony in the world. As Robert Laxer wrote in the introduction,

> Probably the most crucial aspect of the analysis presented in this volume is the thesis of deindustrialization...[D]eindustrialization is the most important result of Canada of integration in the American empire...It is our contention that the theory of deindustrialization as a consequence of imperial dominance will have more practical consequences for the future

jobs, economic security, and quality of life for Canadians than any single explanatory concept on the Canadian horizon. (Ibid., 9)[15]

2.4.2 Tom Naylor and the Canadian 'mercantilist' bourgeoisie

In a seminal 1972 article, Tom Naylor reinterpreted Canadian historian Donald Creighton's (1937) traditional account of early Canadian history as the rise and fall of three commercial empires of the St. Lawrence along dependency lines.

Naylor's major differences with Creighton really begin with the second period in the latter's account. (The first empire had been that of French colonialism, ending with the British conquest of New France on the Plains of Abraham.) The second commercial empire extended under direct British control from 1760 until limited self-government in 1846, during which British-controlled mercantilism prospered through the fur and timber staple trades and land speculation. However in Naylor's account, the risk averse, politically privileged commercial capitalists of this second era not only avoided industrial investments, they actively *opposed* small, local capital attempting to build up domestic industry. He argued that in collaboration with the British Colonial Office, the mercantilist class "crush[ed] the indigenous petite bourgeoisie and nascent industrialists" in the 1837 rebellions in Upper and Lower Canada (Naylor, in Teeple, 1972, 16).

Naylor characterized the third commercial empire following Canadian Confederation in 1867 and the National Policy as a strategy by this mercantilist ruling clique to maintain its control over industrial capitalist rivals through a (dependent) alliance with the emerging U.S. empire. Like historian Michael Bliss (in Lumsden, 1970), he portrayed the National Policy tariffs not so much as protection for domestic industry (import substitution industrialization), but simply as a means to maintain commercial profits on an expanded basis. Rather than continue to profit through importing foreign manufactures for local sale, Canadian merchants and financiers distributed the products (and shared in the profits) of American branch plant producers who jumped the tariff wall to locate in Canada. This amounted to an alliance with U.S. capital to block indigenous industrial development.

Naylor's thesis was partly a (distorted) application of an older Marxist tradition (e.g. see Dobbs, 1956) of there being two roads to bourgeois development:

> There were essentially two paths, with some minor variants that a country could follow on the way to industrialization. Manufacturing industry can grow up "naturally" by a process of capital accumulation in a small-scale unit of production, perhaps even artisanal in character, the profits of which are reinvested in the enterprise to finance its growth from within. A second path implies direct state assistance, and with it, capital from outside the enterprise, be it commercial capital, state subsidies, or foreign investment....The first path, if successfully followed, leads to the emergence of a flourishing, independent national entrepreneurial class. The second may or may not. The second path may simply reproduce the conservatism of commercial capital in a new guise, and lead to the development of an *inefficient, non-innovative, and backward industrial structure with a penchance for dependence on foreign technology, foreign capital, and state assistance as its sine qua non.* " (Naylor, 1975, emphasis added)

Associated with this theory was a kind of historical-structural conflict between merchant-financial capital and industrial capital. The normal development of capitalism was associated with the eventual predominance of the modernizing, dynamic industrial forces over the feudal-rooted merchant/financial interests.[16] According to Naylor, this 'normal' process never occurred in Canada. The new dominion was saddled with a ruling class whose "direct line of descent runs from merchant capital, not to industrial capital but to banking and finance, railways, utilities, and speculation, and so on" (Naylor, 1972, 16). This class' commercial predilections led them to reproduce their wealth in the form of merchant and financial capital, and their main links with industry were through local financing of the lower risk American branch plants in Canada.

Naylor did acknowledge that even in this early era there were significant Canadian investments abroad, but he noted that they centered in the same sectors in which mercantile capital specialized at home (e.g. banking and utilities). He even invented a new label to distinguish Canadian from U.S. or British investments in Latin America and the Caribbean: "branch plant quasi-imperialism" (Naylor, 1972, 34). His rather pessimistic prediction was that:

> A Canadian capitalist state cannot survive because it has neither the material base nor the will to survive, the former contributing substantially to the latter. (Ibid., 36)

Following this article, Naylor published his two volume The History of Canadian Business, 1867-1914 (Naylor, 1975). The first volume is devoted to the growth of banks and finance capital and the second to industry, and this divided treatment again testifies to his view of their separate identity and development. This book did not add qualitatively to the explanation offered in his earlier article, but buttressed his argument with detailed empirical and anecdotal evidence from government data and the business press of the time. As Carroll notes, this book contains all the main formulations of the dependency approach: the hinterland economy, staples specialization; commercial capital hegemony; the 'merchants against industry' thesis, and 'industrialization by invitation' to foreign capital. Naylor proposed that these trends in the pre-WW1 period laid the basis for the general pattern of all subsequent development of the Canadian economy into the twentieth century (Carroll, 1986, 9).[17]

2. 4. 3 McDonald disputes Naylor's historiography

Naylor's revisionist economic history was soon criticized from a number of quarters. One of the most important questions raised was his definition of mercantile or commercial capital as opposed to industrial capital. Naylor included in the former both power utilities and railroads, arguing that they mainly served the staple trades on which mercantile profits depended. However, in either conventional or Marxist approaches these enterprises more properly belong in industry. Not only are they themselves part of the productive (and not merely circulation) process, but they are responsible for important forward and backward industrial linkages, and are widely associated with technological diffusion through learning-by-doing.[18]

Historian L. R. MacDonald pointed out in 1975 that in terms of their measured contribution to GNP, railways in Canada were the most important sector outside of agriculture. If defined as industrial, "the general complexion of nineteenth-century Canada would not be mercantile at all but, if anything, over-invested in industry" (MacDonald, 1975, 267). He also noted that railways had the highest proportion of fixed to circulating capital of any sector in the period, which directly contradicts Naylor's own definition of mercantile capital as being characterized by low ratios (and industrial capital by high ratios) of fixed to circulating capital (Naylor, 1972, 3).

MacDonald also reviewed the business press of the period to dispute Naylor's contention that it was the merchants rather than industrialists who advocated the National Policy tariffs: "...to assert that the tariff was supported by merchants rather than by manufacturers is a fantasy" (MacDonald, 1975, 268). Finally, he offered a nicely understated evaluation of Naylor's argument of a division and antagonism between merchant and industrial capital: "If mercantile and industrial capital were separate domains, the capitalists themselves were unaware of it" (Ibid., 277).

MacDonald's conclusions about the accuracy of some of Naylor's historical account were endorsed by some other studies, such as by Richardson (1982). [19]

2. 5 Moore and Wells: Canada is a (secondary) imperialist power

In 1975 Steve Moore and Debi Wells published a small book to sharply contest the Canadian nationalism of the dependency theorists in both theoretical and empirical terms. Writing from the Leninist approach to finance capital and imperialism, they concluded that

> Canada is not moving towards colonial status in the American Empire, it is moving towards a greater imperial role in the world imperialist system...since the late 1960s, Canada has started on the road to a slow but sustained imperialist expansion. And if present trends continue, Canada will be a secondary imperialist power in the coming decades. (Moore and Wells, 1975, 11-12)

Looking at the patterns of the Canadian economy, Moore and Wells concluded that Canada shared more with other imperialist countries than with the third world countries in terms of the number of Canadian-owned corporations in the Financial Post's Top 300 Non-US Industrials in the world in 1972 (17, compared to Argentina's two and Brazil's one, and its three banks in the top 25 in the world). They also noted Canada invests a higher percentage of its GNP abroad than all other counties except Britain and the U.S. (Ibid., 23).

Moore and Wells also took special aim at the de-industrialization thesis. They placed the trends in Canadian manufacturing into an international context, noting that a secular decline in manufacturing as a proportion of GNP and total employment since the 1950s was characteristic of all advanced capitalist economies. They wrote that, contrary to the dependency school's de-industrialism thesis (which predicted a rapid decline into neo-colonial underdevelopment) “Canada's manufacturing sector compares well with other country's in relative growth statistics” (Ibid., 47).

While acknowledging a relatively high level of foreign ownership of the economy, Moore and Wells also noted that even in heavily foreign owned sectors like manufacturing, Canadian capital was "holding its own" against U.S., for example as measured by its ongoing position in the Financial Post's Top 100 corporations (by sales) in Canada (Ibid.).

Moore and Wells offered this succinct description of the relevant features of the Canadian social formation:

> Canadian monopoly capitalism is well developed and highly concentrated; that the Canadian bourgeoisie is holding its own in home market expansion; that Canada's industrial growth statistics are comparable with other imperialist countries; that there is a substantial Canadian-controlled section of the bourgeoisie that has large numbers of branch plants abroad; that Canadian investment is rapidly increasing the Third World; and that there has been a much more rapid increase in Canadian investment abroad than in foreign investment in Canada. (Ibid., 92-93)

This early and clear characterization of Canada as an advanced capitalist country did not receive much academic notice, and still less support. For example, in a 1977 collection of articles from writers tending towards neo-Marxist views, Imperialism and the National Question in Canada (Herron, 1977), it remained a clearly minority perspective.

2.6 Intermediate views emerge

2. 6. 1 An early intermediate view

Tim Dramien and Jamie Smith were among the first to characterize Canada as an 'intermediate' power, i.e. not a true dependency like countries in Latin America, but also not a true advanced capitalist country. On the basis of their work with the Latin American Working Group on Canada's investment in Brazil (Dramien, 1975), they argued that along with Israel, Iran and South Africa, Canada should be considered "sub-imperial powers." Agreeing with the dependency school that Canada's relation to imperial centres had fragmented Canada's internal economy, they also argued that

> Canada is very successfully able to utilize the conventional mechanisms of imperialism (aid, trade and investment) to drain resources from Latin America and the Caribbean for the ultimate benefit of the main imperialist centre, the United States. (Dramien and Swift, 1975, 9) [20]

2. 6. 2 Wallace Clement and the dependent, continentalist alliance with U.S. capital

Wallace Clement was a student of sociologist John Porter (see above). His first of two major studies, The Canadian Corporate Elite (Clement, 1975), extended Porter's 1950s study of interlocking directorships of dominant corporations to 1972. [21] This book re-interpreted Porter's analysis of the post-war pattern to partially conform to dependency themes, while acknowledging greater strength by Canadian capital in some sectors than most earlier writers had granted. Clement's second book, Continental Capitalism, (Clement, 1977) completed his contribution to what Mel Watkins and others have described as the "one 'big idea' of the new Canadian political economy approach",

> ...the so-called Naylor-Clement thesis about the commercial, rather than industrial bias of the Canadian capitalist class and the dependent branch-plant industrialization that flows from an unequal alliance with American monopoly capital. (Watkins, in Clement, 1989, 17) [22]

Based on his dense empirical study of directorship interlocks of the largest corporations in Canada, Clement proposed that the legacy of dependency was visible in the "distorted elite formation at the top of the economic hierarchy" due to the penetration of the Canadian power structure by U.S. economic elites (Clement, 1975, 117). He characterized the managers and directors of U.S. subsidiaries as a "comprador elite" serving a foreign parent company "parasitic elite".

Clement followed Naylor and others in concluding that indigenous capital avoided conflict with its comprador allies by specializing in different spheres of activity - the indigenous in circulation and the comprador in industry. He proposed that

> This rather unique development of elite configurations makes the Canadian corporate elite atypical compared to other industrialized liberal-democracies...the Canadian bourgeoisie is primarily a commercial one, engaged in circulation rather than production, while in other nations the bourgeoisie is typically both industrial and financial... indigenous industrial forces are constrained, their mobility limited and the independence of the Canadian nation-state bypassed. (Ibid., 355)

In <u>Continental Capitalism,</u> Clement's analysis emphasized the character of a highly developed continental alliance of Canadian and U.S. capitalists (Clement, 1977). Using the history and structure of the United States economy as relief for viewing the corresponding Canadian patterns Clement found that as against the "more balanced and diversified" pattern of U.S. growth, Canada exhibited a pattern of overdeveloped financial and commercial sectors, but underdevelopment of industrial and resource entrepreneurs (Ibid.). Like Drache and Naylor, Clement theorized that Canadian commercial capitalists had actively sought out an alliance with U.S. capital in the pre-WW1 period, which laid the basis for shared interests in a continental economy. However, Clement shifted some of the emphasis from the 'industrialization by invitation' theory to highlight the barriers to entry faced by Canadian industrialists as a result of the greater size and historically earlier process of merger and concentration in the U.S. corporate economy. He also tended to follow Levitt in seeing the years just after WW2 as the decisive period when American control solidified, as most the industries which had been rapidly developed during the war with state aid were sold off to U.S. capital (Ibid., 18).

Clement also compared the corporate directorship linkages among dominant companies in the two countries. Measuring the extent of linkages by the *density* of directorship interlocks (the ratio of the actual number to the total possible number of inter-firm directorship links) he found more interlocks between financial and non-financial sectors in both countries; greater interlocking within the financial sector in Canada than in the U.S.; and greater interlocking within the U.S. manufacturing sector than the Canadian (Clement, 1977). His evaluation of these patterns was that:

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

However, as Carroll later pointed out, Clement misinterpreted his own data to say that there are weak links between financial and industrial capital in Canada. In fact, the data showed that this interlock density was higher in Canada than in the U.S., as was the density interlock between finance and resources (Carroll, 1986, 29). It was only in comparison with the interlocks within the financial sector that the financial-non financial interlocks were lower in Canada; both were much higher than in the U.S. Contrary to Clement's interpretation of only "tenuous connections between elite members in circulation and industry, in fact the density interlock here is only less than that within the financial sphere but is greater than the equivalent measure in the U.S." (Ibid.).

Another disputed conclusion by Clement regarded the waves of corporate mergers in the late 19th century. In Canada, Clement saw the participation of financial and commercial capital in promoting industrial mergers as confirming the domination by this elite over industry. In contrast, he characterized the earlier but otherwise similar merger process in the U.S. as marking the transformation from competitive to advanced monopoly capitalism (Clement, 1977, 52).

Clement obviously had some difficulty deciding on the appropriate characterization of Canada. On the one hand his analysis was that "...in general the U.S. dominates Canada" (Clement , 1975, 294), and that Canadian mercantile capital held a subordinate position to U.S. controlled industrial capital. At the same time, he cautioned against the "dependentist underestimation" of the strength of Canadian capital:

> ...to say there is no national bourgeoisie fails to acknowledge the powerful position Canadian financial capitalists have had and continue to enjoy. ..that the traditional elite has entered into a 'partnership' with U.S. capitalists is probably correct; to say this is a 'junior partnership' is to underestimate the power this elite wields nationally and internationally. (Clement, 1975, 356-357)

Clement argued that the pattern of Canadian foreign investments was essentially a holdover of its British colonial links and given Canada's lack of independent military capability to defend such investments, "overall...it would not be correct to view Canadian capitalists as imperialists in their own right" (Clement, 1977, 161). Instead, he favoured Galtung's 'go-between' theory (Galtung, 1971), noting, however, Canada's position of relative privilege:

> ... a great deal of "Canadian" foreign investment in the "third World" and elsewhere is of this go-between type; that is, much of the investment flows from firms in Canada which in turn are subsidiaries of other companies controlled outside Canada (Clement, 1975, 23);

and

> To reduce the question of whether Canada is 'exploiter or exploited" in the world system misses the fact that its elites exhibit both qualities...Taking a broad look at the world order it is clear Canada sits among the advantaged. (Clement, 1977, 130) [23]

In summary, Clement reinforced Naylor's earlier analysis of the mercantile or commercial nature of Canada's dominant capitalist fraction, and the proposition that Canadian capital held a subordinate position in a complementary division of labour with U.S. capital. [24] However, as Mel Watkins has pointed out, Clement's books were also responsible for shifting attention from Naylor's

> ...overly robust version (antagonism between commercial and industrial capital within Canada)...[to]...Clement's' more moderate position (commercial dominance inside Canada in the wider context of American industrial hegemony). (Watkins, in Clement, 1989, p, 27) [25]

2. 6. 3 Jorge Niosi discovers a genuine Canadian ruling class

Jorge Niosi's three books published in 1978, 1981 and 1985 were each important additions to the analysis of corporate ownership and control in Canada. Niosi himself adopted an intermediary approach in the political economy school debates, and he has consistently highlighted the issue of what he considers a unique form of technological dependence by Canadian corporations on foreign capital.

In The Economy of Canada: Who Controls It Niosi wrote that he set out to "demonstrate the existence of a Canadian big bourgeoisie", making the penetrating point that while the "nationalist school had contributed to the analysis of foreign control ... it unfortunately neglected to study the indigenous ruling class" (Niosi, 1978, 12).

This study examined a sample of the 136 largest Canadian controlled corporations in 1975 (those with assets of more than $100 million). This sample did not include the chartered banks and two large private corporate groups for whom ownership information was not publicly available, and government owned (crown) corporations.[26] Niosi identified four levels of control based on stock ownership: virtually absolute (80 to 100%; majority (50 to 79%): minority (5 to 49%): and internal (0 to 4.9%).

In this book Niosi identified a highly concentrated corporate ownership structure and the existence of a well-defined Canadian capitalist class organized around a number of family fortunes. In doing so, he rejected two other perspectives on who controlled corporations - the finance capital theory of bank control, and the management school theory of internal (management control).[27]

Against the traditional Marxist approach to finance capital, Niosi argued that the financial sector "exerts very little control over Canadian industry, and that the hold of the banks over productive enterprises is weak" (Ibid., 14). For example, according to him only 1% of bank assets were held in corporate securities (Ibid., 7). At the same time, Niosi noted that the Trust Companies hold a significant percentage of corporate assets (citing the Porter Commission findings that they held a little less than 20% of common stocks in 1964) and are also a highly concentrated sector (Ibid., 9). Expressing doubt about the conclusions regarding bank control that can be drawn by directorship links in the absence of direct ownership (equity) ties (such as by Park

(1962) and Clement (1975, 1977)), he buttressed his conclusion about the lack of bank control of industry by citing Naylor's conclusions about the historical role of banks in Canada:

> Canadian chartered banks did not participate in the financing of industry, were not involved in the founding of companies, nor in their fusion or reorganization, and do not carry out long-term investment in industrial firms. (Ibid., 27)

In discussing why Canada had maintained a British-type banking system rather than the German model which provided the classical example of finance capital, Nioisi noted that

> a model in which the banks and other financial institutions steer clear of industrial corporate control corresponds perfectly to the dependent structure of the Canadian economy, in which industry is either lagging behind, economically dispersed, or under foreign control. (Ibid., 63)

Since only one third of these large Canadian corporations appeared to be under the control of professional managers (and he thought even this estimate was probably too large) Niosi also rejected the theory of internal control as applying, in general, to Canada (Ibid., 167).

Niosi's conclusion to this book was a small but definite departure from the conventional political economy wisdom which assumed U.S. capital was dominant in Canada:

> To the opening question - who controls Canadian big business? - one is led to reply, the Canadian ruling class. (Ibid., 169)

However, he still considered that it was "a bourgeoisie which one would have trouble calling 'national' or 'nationalist', but which may be called 'local' or 'internal'." In his estimation this bourgeoisie had a

> ...complementary relationship with American (dominant) capitalism in Canada...But we insist - and here we are in agreement with Tom Naylor

> - that the essential trait of the Canadian bourgeoisie is its non-industrial and dependent character. (Ibid., 173)

In his second book, Canadian Capitalism, A Study in the Power of the Canadian Business Establishment, Niosi

> ...question[s] the validity of a large body of Canadian nationalist literature that sees foreign capital as the dominant economic and political force. I maintain, on the contrary, that it is the Canadian bourgeoisie that plays a dominant role in Canada, in the private sector where it controls at least 70% of all corporate assets, as well as the public sector, where most key government-owned corporations are run by this Canadian capitalist class and its key advisors. (Niosi, 1981, 2)

However, saying it would be "absurd to ignore the central role of commercial, financial and technological dependence that links Canada's economy to that of the U.S." he also stated

> I do not deny that Canada is a dependent country...[but]...it seems to me that the almost exclusive emphasis that has been placed on Canada's external dependence has diverted attention from the analysis of social class in Canada and has led some observers to neglect their internal conflicts and dynamics. (Ibid., 3-4)

The first basis for these conclusions was his observation that over the period from 1970 to 1978, Statistics Canada's estimates of foreign ownership of corporate assets declined significantly in non-financial sectors, from 36% to 29%, with mining falling the most, from 69% to 47%, and manufacturing from 58% to 52% (Ibid., Table 2.1, 52). He also estimated that foreign ownership did not exceed 15% of assets in the large financial sector in Canada (Ibid., 143), which would lower the usual nominal estimates of foreign control of the economy even further.

A second reason for Niosi's conclusion was drawn from his study of the origin of directorships of all federal, provincial and municipal government (crown) corporations with assets of over $100 million in 1975. In 1978, these corporations were responsible for 29% of all public and private investment in Canada (Ibid., 85), and so accounted for a significant influence over the overall economy. (Most were in the utilities and transportation sectors, including the provincial Hydros and the CNR.)

Niosi found that, of the 80% of crown corporation directors who were outside directors, almost all were Canadian private sector capitalists and their professional advisors (corporate lawyers, accountants, etc.) or Canadian government officials (the latter composed 20% of these outside directors). Almost no crown corporation directors were linked to U.S. firms, except a few who were also linked to Canadian capital in their role as corporate advisors to both groups.[28] Niosi concluded that this evidence demonstrated that these nominally publicly owned corporations were under the effective control of the Canadian capitalist class, and that this fact reinforced the idea of overall control of the economy by indigenous capital (Ibid., 117).

Niosi then analyzed the control over a broadly representative list of 130 foreign-controlled subsidiaries with assets of over $100 million in 1975, a group which accounted for over 50% of foreign owned assets in Canada. He found few cases of shared control between foreign and domestic capitalists, and relatively few cases of minority foreign control (14% of the list of 130). Based on this, he concluded that while a "comprador bourgeoisie" of administrators for foreign-owned capital exists (and could be easily distinguished by the lack of shared U.S. Canadian ownership of corporations) it retains close ties to this indigenous bourgeoisie through directorship ties with the financial sector and by sharing the same cadre of professional corporate advisors who sit on the boards of directors in both spheres (Ibid., 146).

Finally, Niosi also concluded that the Canadian bourgeoisie was divided by ethnic and regional divisions. Contrary to certain other writers, he also concluded that a distinct Quebecois bourgeoisie had developed in the past several decades, but that its orientation was, like its Canadian counterpart, federalist and continentalist, rather than Quebec nationalist. [29]

In a 1983 article Niosi took up the competing definitions of Canada and its ruling class, which he characterized as being divided between the "nationalists" and the "internationalists". His own position was that

> ...each polar position is a part of, or presents an incomplete, fragmentary perspective" (Niosi, 1983, 130).

In this article Niosi again noted that 70% of the corporate economy is not foreign controlled, and that many world-class corporations are based in Canada: "The Canadian bourgeoisie now has flesh and bones, and is no longer considered a residual category" (Ibid., 132). With regard to the issue of the extent of technological dependence on foreign capital by even large Canadian companies, he drew a distinction between the question of the origins of technology and mastering its use. He proposed that his case-study research showed that many Canadian companies had been able to buy, successfully master and modify foreign technology. While

> ...this is not the traditional behavior of an independent capitalist class...it is a rational and indeed increasingly common way to make profits in a very imperfect technological market. (Ibid., 132)

Updating the previously described trends in foreign control, Niosi noted in this article that foreign control had declined from 36% in 1970 to 26% in 1981 in terms of capital employed in all non-financial industries, and that the ratio of foreign investment in

Canada over Canadian foreign investment had fallen from 4.6 in 1970 to 2.7 in 1979. As for Canada's trade with the US, against the nationalists view that "the Canadian bourgeoisie is so weak as to be unable to chart an independent course for our economy" he proposed that

> ...the dominant strata of the Canadian capitalist class are so strong...that it cannot only challenge foreign competition in Canada, but also export to or invest in the U.S. to capture a large portion of that market (Ibid., 133).

On the other hand, taking his distance from the "internationalists", Niosi noted that while Canada has significant multinational banks and industries,

> ...let us not forget that many semi-industrialized countries (such as Argentina) or newly industrialized countries (such as South Korea) also have MNCs of their own. (Ibid., 133)

Again he noted the "unique technological pattern" pattern of acquisition of foreign technology rather than domestic capability (Ibid.). Against the conclusion that the decline in foreign ownership meant that Canada has become more independent (as had been argued by Resnick, 1982; see below), he cautioned that "foreign control.....is only one, albeit an important aspect of dependency" (Ibid., 134). Niosi again rejected the perspective that directorships links between the financial and other sectors in Canada indicated the existence of finance capital. Instead, his view was that

> ...the Canadian bourgeoisie is a fragmented class, divided between a comprador and national or autochtonous sector, with the latter having always been the dominant element. (Ibid., 134)

In concluding, Niosi stated that the "core-periphery dichotomy... is in my view an overly simplistic scheme". With the dissolution of colonial empires and the rise of the NICs

> ...more and more countries find themselves in some intermediary category between the poles....I would personally prefer the semi-industrial label as the most adequate to describe the Canadian role in the international division of labour. (Ibid., 141)

In 1985, Niosi published an important book titled Canadian Multinationals. In its Preface, he notes that the concern regarding foreign investment in Canada had been almost exclusively focused on its effect in Canada, and that very few scholars had paid much attention to Canadian multinationals:

> This lack of interest in Canadian multinationals is all the more surprising in light of the fact that in absolute terms Canada is one of the world's largest capital exporting countries. In 1971, it was in sixth place, behind the United States, Britain, France, West Germany and Switzerland. Canada was also sixth in per capita foreign direct investment. (Niosi, 1985, 7)

In light of the usual pessimistic evaluation of Canada's industrial status in the world economy, Niosi cited a rather impressive list of areas where Canadian capital leads in not only its own country but also in world markets:

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

While he rejected the classical Leninist theory of imperialism for understanding Canadian multinationals, Niosi did find agreement with its association between corporate concentration in a given sector and capital exports. After reviewing the high levels of concentration in the Canadian financial sector from its inception and the history of successive merger waves in manufacturing and mining, he wrote:

> In fact if there is one feature that characterizes the Canadian economy, it is precisely the high levels of industrial concentration in the production of goods and services. (Ibid., 41)[30]

Niosi pointed out in this book that while Canada was a late-industrializer, it quickly became a major capital exporter. By 1930, for example, it was ahead of such countries as Germany, Italy and Japan (Ibid., 44). By 1976, a U.N. study found that Canada had just slipped from 6th to 7th place in the world.

In terms of geographical location, the U.S. had always been host to more than half of the total Canadian FDI (foreign direct investment), with the proportion going to underdeveloped countries in the recent period growing faster than to the developed world. In the period following WW2 the Canadian FDI proportion concentrated in utilities and commercial ventures declined in favour of industrial (especially mining and petroleum) and financial sectors. Canada was the third largest foreign investor in the U.S. and second largest in Britain in 1977; fifth in Brazil; and second in a number of Caribbean countries (Ibid., 47-48).

Another disputed question Niosi addressed is the extent to which investments by foreign subsidiaries are included in government data on 'Canadian' FDI totals. Clement, for example, had favored the 'go-between' characterization of Canada, based at least in part on an assumption that a large amount of 'Canadian' foreign investment was really undertaken by foreign subsidiaries in Canada (see above).[31] Niosi quoted government figures to show that in 1965, Canadian firms owned only 56% and controlled 64% of Canadian direct investment in foreign countries, but that by 1980 (and commensurate with the rise in Canadian ownership of the economy) these proportions had risen to 65% by ownership and 85% by Canadian control (Ibid., 49)[32]

On the issue of where Canada fits in the "international pecking order", Niosi noted that the extent of Canadian MNC presence in advanced industrialized countries was different than for "other semi-industrialized countries such as Australia, India and Brazil, which spill over into less advanced regions such as Indonesia, Thailand and Equador" (Ibid., 56). Canada was similar to the U.S. in terms of the distribution by economic sector, and even exhibited a slightly higher per capita foreign direct investment rate: $940 for the U.S. compared to $1075 for Canada. By way of contrast, Japan's figure was only $275 (Ibid., 56).

Niosi concluded that

> Based on their size (both absolute and relative), their presence in the large American and European markets, their number, and the position they occupy in the industries in which they compete, Canadian multinationals resemble those of the advanced industrial countries much more than those of the major Latin American or Asian countries. (Ibid., 56)

It may be noted that this evaluation is a little different than that cited above, where Canadian multinationals are compared with those of Argentina or South Korea. On the other hand, Niosi argued that "Canadian MNCs are most commonly found in industries with relatively little technological content", citing for this conclusion a study that compared the amount of research done by MNC subsidiaries, in which Canada shared last place with Japan.[33] He argued that Canadian multinationals are characterized by their ability to quickly absorb innovations from the U.S. and Britain by virtue of their high degree of corporate concentration and cultural and geographic affinity; advantages than no other 'semi-industrial' countries enjoy (Ibid., 60).

Finally, Jorge Niosi contributed a paper to a 1987 collection on the subject of corporate concentration in Canada (see Khemani, 1987). Here he focused on highlighting the rapid rise of conglomerates in the Canadian economy (which he defines as enterprises where at least 30% of sales are in a different line of business from the main activity).[34] Niosi's sample was composed of the largest 35 conglomerates in 1969, 1978 and 1984 (excluding corporations under government control, e.g. the CNR). Most originated in manufacturing, followed by finance and resource sectors. Most had been created in the 1960s and 1970s through amalgamations under holding companies or by a central enterprise acquiring operations in other sectors.

In 1984, 66% of the conglomerate enterprises were Canadian controlled (not including 4 large state-owned groups) and 12% were foreign controlled, of which 8% were controlled in the U.S. In terms of their relative position in the total corporate economy, the top 4 conglomerates accounted for the following portions of total sales, assets and profits respectively: 5%, 7% and 9%. The top 35 conglomerates accounted for 10%, 14% and 18% of the same categories (Ibid., 45).

2. 6. 4 Canada shares "dominion capitalist" label with Argentina and Uruguay

P. Ehrensaft and W. Armstrong advanced an influential 'intermediate' characterization of Canada as belonging in a group of five dominated countries they call "dominion capitalist", namely Argentina, Australia, Canada, New Zealand and Uruguay (Ehrensaft, 1981). These countries are thought to occupy the top of an intermediate "semi-industrial" group of countries that lies between the "dominant capitalist societies" and the "periphery" of the world economy. According to Ehrensaft and Armstrong, these countries are "inherently prone to declassification". Their fundamental features are "an extension of the European social space", reliance on resource exports and their "truncated economic base" (Ibid.). Having detailed the absolute economic declines in Uruguay and Argentina, they offered a pessimistic prognosis for Canada, as this passage suggests:

> Throughout this paper we have implied that Canada, New Zealand and Australia share the same tendency towards structural crisis as became evident in Argentina and Uruguay in the mid 1950s...If Canada and Australia have avoided the post 1954 declines suffered by the other dominions, this is mainly due to the mineral deposits in their shield formations. (Ibid., 148)

Despite the growing chasm between the basic social and economic conditions in these countries and Argentina and Uruguay (to say nothing of the comparative geology explanation!), this grouping of Canada with conventionally defined semi-colonial countries has continued to remain quite popular, with a variety of writers referring to it with sympathy, if not complete agreement. [35]

2. 7 Studies in Political Economy

Drawing in part on earlier Marxist or neo-Marxist explanations of early Canadian history by H.C. Pentland (1981) and Stanley Ryerson (1960, 1968),[36] a current of writers dissented from the dependency inspired and staples-based approach to Canadian political economy in the late 1970s and early 1980s. Their disagreements centered on the focus on circulation and exchange over production, and on the conflict and relations within the bourgeoisie rather than between this class and the working class (along with other exploited classes like farmers). This round in the political economy debate was spurred by the publishing of a special issue of the journal Studies in Political Economy in 1981 which outlined these views.[37]

2.7.1 Leo Panitch on the branch plant economy

In his lead contribution to this issue, Leo Panitch revisited the issue of why indigenous Canadian industrial capitalists in the late 1900s in Canada "lacked the power, especially in terms of capital and market access to survive" (Panitch, 1981, 12). His explanation focused on the relatively high wage structure in Canada, which raised the threshold of size and capital intensity required for Canadian industrial firms to compete with American goods. This high wage structure was itself the consequence of the general availability of land for immigrant workers to pursue independent commodity production, especially wheat. Panitch cited studies showing higher wage rates in Canada as compared with other late-industrializers like Sweden and Germany. This meant that

> ...industrial production in Canada had to expand on the basis of relative surplus value, the application of extensive fixed capital to the production process to expand labour productivity, and not on the basis of cheap labour with the extension of working hours and the absolute immizeration of the direct producers...Thus the very struggles of the Canadian working class...over the shorter work week, factory discipline, the importation of cheap foreign labour, or resistance to wage cuts" restricted their [Canadian industrialists] potential. (Ibid., 19)

As a late industrializer with a smaller domestic market, Canadian manufacturers were led into dependence on U.S. technology and investment. Panitch's conclusion was that Canada's pattern of industrialization should be not be fit into "the pattern of Latin American dependency theory on the foundation of a Schumpeterian version of capitalist development." He continued:

> Rather than pretend our historical trajectory has been one of the development of underdevelopment, it is perhaps more relevant to ask whether Canada stands as the prototype of the form of dependent industrialization, which, given the changing international division of labour over the past three decades, has come to characterize countries on

> the periphery of Europe such as Spain and Greece, or certain countries in Latin America such as Brazil and Argentina. (Ibid., 23)

Panitch's main point was to argue that a better model for Canadian political economy was one where

> ...explanations of, and strategies for overcoming, Canadian dependency would concentrate less on ruling class (or metropolitan) actions and strategies alone, and more on historically structured relations of conflict between exploiters and exploited, not least between dominant and subordinate class both in our society and elsewhere. (Ibid., 23)

However, while calling for a break from the dependency school approach towards Marxist or neo-Marxist positions, Panitch has continued to echo dependency assessments of Canada familiar from above. In a 1985 article addressing the background to the free trade debate in Canada, for example, he wrote that

> ...in terms of the extent of foreign ownership and control over the economy and Canada's international trade pattern...Canada looks more like belonging in the company of Venezuela or Nigeria. (Panitch, 1985, 1)

He refers in this article to the

> ...divided nature of the capitalist class in the twentieth century - strong indigenous fraction of financiers, a weak indigenous fraction of industrialists, and the implantation within the social formation of a powerful fraction of foreign capital on a scale unmatched anywhere in the developed world. (Ibid., 5)

One conclusion Panitch draws from this analysis is that this divided structure of capital has lead to a decentralized federal state, and that "...it does indeed appear that the material foundations for a centralized Canadian state simply do not exist (Panitch, 1985, 1). (It is noteworthy that the division he refers to here is between sectors of capital; he does not mention the division most Marxists emphasize in this regard, i.e.

of the national divisions within Canada, especially the question of Quebec and about one-quarter of the Canadian population.)

Referring to "optimists" (e.g. Niosi (see above) and Resnick (the latter will be discussed below) who had cited the rise of regional bourgeoisies in Quebec and Alberta; Trudeau's National Energy Policy; and a "marginal decline" in foreign ownership Panitch wrote that

> ...nothing approaching a national bourgeoisie with its own political, ideological and economic unity vis-a-vis other national capitals has emerged...trade dependency has increased...and Canadian economic policy has been even more abjectly tied to American policy than it was before. (Ibid., 10) [38]

Another illustration of Panitch's evaluation of the extent of dependency in Canada can be found in a 1988 article, where, again in connection with the Canada-U.S. Free Trade Agreement we find this characterization:

> ...the marginal vestige of bargaining power retained by the Canadian state by virtue of our being a neo-colony rather than a mere colony of the American empire (the difference between Puerto Rico and Canada in formal terms) has been further reduced." (Panitch 1988, 14)

2.7.2 McNally scores staples theory

David McNally leveled a more direct attack on the staples approach to Canadian history in the special issue of SPE [39] referred to above. Against a number of writers who found a potent convergence in Innis and Marx (e.g. Watkins (1977), Drache (1976) or Parker (1977), he argued that Innis' work

> ...embodied a crude materialism...which led to systematic neglect of the role of social relations of production... [the result of which is] ...a rigidly deterministic interpretation of economic history whose central feature as commodity fetishism - the attribution of creative powers in the

> historical process to the staple commodity as a natural and technical object. (McNally, 1981, 38);
>
> Indeed, it is no overstatement to change Marx's dictum and to state than for Innis commodities make their own history - although not, perhaps, in conditions of their own choosing. (Ibid., 46) [40]

McNally concluded that:

> It is high time that the fetishistic preoccupation with staples was abandoned in favour of a concentration on class formation and capitalist development in Canada. (Ibid., 57) [41]

McNally's critique is essentially that staples theory treats trade and technology as autonomous forces in history.[42] In some ways this is not really very different than Mel Watkin's characterization of Innis' staples theory as "more technological history writ large than a theory of growth in the conventional sense" (Watkins, in Easterbrook, 1967, 50), though they draw rather different conclusions from similar observations.

2. 8 Resnick argues Canadian capitalism has come of age

In a 1982 article Philip Resnick was one of the first scholars to develop the argument that certain basic economic changes had occurred in Canada since the early 1970s which made much of the earlier left nationalist argument (with which he had previously held considerable agreement) obsolete (Resnick, 1982, 11).

> Canada...has become a full-fledged member of the capitalist order and should no longer be seen as having a peripheral status within it. While the marks of a hundred years of dependency have not entirely vanished, least of all at the ideological and cultural levels, Canadian capitalism has begun to come of age. (Ibid., 12)

Resnick attributed this new status to Canada's relative advantages during the period of OPEC induced rises in petroleum prices (along with the increase in other primary product prices); the increase in Canadian investments abroad; a wave of mergers and takeovers "the like of which had not been seen since the pre-depression period"; and, most importantly, to a significant increase in state enterprise (Ibid., 12). He suggested these factors lay behind the noticeable decline in the level of foreign ownership and control reported by Statistics Canada cited in this article.

> The upshot of all this was that Canadian capital had come of age. By this I do not want to claim that Canada had been promoted to the ranks of a major economic power comparable to United States, Japan or the main European states, or that the Canadian economy had ceased to be resource-oriented in exports and correspondingly weaker in the high technology and manufacturing fields. Still, something had changed during the decade, with Canadian-based capital becoming a significant participant in the international political economy. (Ibid., 15)

Resnick suggested that "this was brought home with Canada's accession to the inner circle of the OECD, with membership in the Group of Seven in 1976" (Ibid., 15). He suggested that "the maturing of Canadian capitalism is a twin process, in which the state sector and the Canadian controlled sector grow simultaneously" (Ibid., 21).

Resnick's main conclusion was that

> ...we must break from an analysis that spoke in terms of dependency and assumed the hegemonial role of foreign ownership in this country...[t]he left must begin to see Canadian capitalism as a First World capitalism analogous to metropolitan capitalisms like the U.S., Western Europe or Japan... The strategy of the Waffle and left nationalism makes absolutely no sense in the 1980s. (Ibid., 22-23)

In a second article in 1989 Resnick developed a more rounded exposition of these points and proposed that while Canada had been a semi-peripheral country for the first two-thirds of the century,

> ...there has been a qualitative change in Canada's position over the past decades and that, economically at least, Canada has now reached a stage where it must be seen as one of the seven leading capitalist powers in the world. (Resnick, 1990, 180)[43]

He described his own preference for Canada's characterization as occupying a position on the "perimeter of the core" (Ibid.). Resnick emphasized Canada's considerable degree of early industrialization, a standard of living that was comparable to core countries from its beginning and a relatively strong state. He attributed the change in Canada's status to the growing control by Canadian capital of the economy and highlighted the growth of state enterprises in this process; the increase in Canadian FDI; a decline of U.S. world hegemony; strong competitive economic performance; and more independent intervention by Canada in international political and diplomatic affairs.

Resnick illustrated the change in Canada's position in the world by quoting the chairman of the Royal Bank of Canada as saying

> We used to be a large Canadian bank with international operations. But now we are a large international bank with a strong national base. There's a difference. (Ibid., 189)

Resnick went on: "For some reason, certain Canadian political scientists have great difficulty in acknowledging these changes" (Ibid.) [44] He declared that he favored the views of political economists like Niosi and Carroll and Kellogg (for Niosi see above; the latter two will be discussed below) on this question. Against the whole dependency school conventional wisdom, Resnick proposed that:

> Far from condemning Canada to permanent backwardness, the much-berated strategy of staple extraction and industrialization by substitution seems to have placed Canada within the top echelon of capitalist powers...[w]e would do well to recognize the improvement in Canada's relative position in a period that has seen a decline in American economic hegemony in the world at large. (Ibid., 195)

In addition to the evidence of declining foreign ownership in Canada, in this article Resnick cited considerable evidence that the dependency view of a weak and lagging Canadian industrial economy was very much out of date. Quoting a 1987 OECD study, Resnick noted that in the recent period Canada's relative growth rates, share of manufacturing exports, unemployment rates , social service provision and other indicators compared very favorably with OECD countries. His main reason for qualifying Canada's position at the core or top-tier group of nations in the world was relative weakness in independent military capacity. Resnick concluded that

> ...the time has come to bid good-bye to the old images of Canadian dependence or semi-peripheral status...[w]e need to recognize that Canada today occupies a more privileged position with respect to the larger system than in an earlier day, and our actions must be increasingly geared to this arena...Canada now has a more direct share of involvement in the moral and political responsibility for the shape of the capitalist world economy and for the actions and depredations carried out in our collective name. (Ibid., 203-204)

2. 9 Gordon Laxer spreads the blame for foreign ownership - to farmers

Beginning with an article in 1985 Gordon Laxer has advanced an explanation for Canada's branch plant economy that shifted from the traditional dependency school focus on the commercial proclivity and industrial weakness of Canada's capitalists.

Laxer first contested the theory that high National Policy tariffs resulted in the hegemony of U.S. branch plants. He noted that all industrializing nations had followed similar policies, and that by comparison Canada's National Policy tariffs were not really very high (Laxer, 1986, 8). He similarly rejected arguments by Naylor and others that the limited Patent Laws protection in Canada was a significant factor in promoting the branch plant structure, noting that similar laws were common to most countries of that time.[45] Laxer also rejected Panitch's claim that high wages were a significant factor in constraining Canadian industrial capitalists, citing alternative estimates of real wage rates for the end of the 19th and beginning of the 20th centuries that showed Canadian rates remained considerably below U.S. levels (Laxer, 1989).

Laxer followed a comparative framework to examine what he considers "the heart of the matter - the internal politics that underlay state policy formation" (Ibid., 227). He goes to considerable detail to demonstrate that the historical example of Sweden shows that, contrary to most accounts, Canada was neither too late to begin successful independent industrialization, nor was its domestic market too small to support this process. Rather, the difference between Sweden's relative success at independent industrialization and Canada's relative failure

> ...is linked to Canada's curiously incomplete nationalism during its early industrialization. This goes a long way to explaining Canada's unique level of foreign ownership in the late 20th century. (Laxer, 1986, 9)

Against the dependency approach (e.g. Naylor) Laxer wrote that:

> Instead of pointing a finger at Canada's capitalists for not protecting their own bailiwick, I have indicted the whole of the social formation. For capitalists everywhere, profits come first. What marked Canada off from other advanced countries was that other classes did not gain state power and guard the domestic ground for native capitalists. Foreign ownership and a truncated manufacturing sector were the result...the Canadian state missed the opportunity of moving to independent industrialization because of the way that class and ethno-nationality intersected...The answer to the question of why the Canadian state did

> not defend domestic ownership of Canadian industry is ironic. The capitalists were too powerful. (Ibid., 47)

As for why the capitalists were too powerful, Laxer suggested it is largely due to

> ...the peculiar weakness of agrarians in Canada during this early period...During the period when industry began to transform Canadian society - roughly from just before Confederation to the First World War - independent and organized agrarian voices were strangely quiet. (Laxer, 1989, 230)

According to Laxer, "the weakness of the farmers' movements affected a number of policies, all contributing to the victory of a branch-plant economy" (Ibid., 232). The first he mentions is the failure to "free up banking and credit and to promote economy in government." By this Laxer meant that Canada was saddled with a conservative banking system that eschewed risky industrial investments, and that the absence of the traditional thrifty influence of farmers in state fiscal policy led to over-investment in railways by the state, raising taxes and wasting precious capital. Similarly, Laxer attributed the delay of the settlement of the prairies and expansion of the home market to the political strength of the land-owning clique who opposed an American-style homestead policy west of Ontario.

Finally, in a direct comparison with Sweden, Laxer cites a too-modest "opposition to foreign economic penetration and emphasis on military defense of the homeland", and its related failure to develop an independent military-industrial capacity. He argues that in Sweden, a more nationalist outlook supported a domestic armaments industry that helped overcome or avoid technological dependence, and provided key forward and backward industrial linkages (Ibid., 231).

Laxer offers these reasons for the lack of independent political orientation by farmers in Canada:

> The British connection and fear of US manifest destiny cast populist influences in Canada as disloyal. More importantly, the intensity of sectional influences between English and French, Protestant and Catholic, relegated class conflict and class movements to a secondary level of importance. (Ibid., 232)

While distinguishing his own approach from certain Marxist or neo-Marxist accounts, Laxer shares their view that the staples and dependency approaches fail to give proper weight to the domestic class development and politics. This has contributed to

> ...what has become the dominant theme in Canadian culture: that Canada has been a passive entity molded by overwhelming natural forces and by equally overwhelming external human forces. They are inadequate because the Canadian people themselves barely enter their purview. (Ibid., 226) [46]

2.10 More directorship studies: Carroll, Fox and Ornstein

While Clement (1975, 1977) had found a capitalist class divided between indigenous commercial and comprador industrial (with "parasite" foreign) sectors through studies of the directorships of the 113 dominant corporations in Canada, Carroll, Fox and Ornstein came to quite different conclusions in a major study of 1973 directorship ties among 100 of the largest financial, merchandising and industrial firms in Canada (Carroll, Fox, Ornstein, 1982).

They discovered, first, that these firms are highly integrated through top corporate officials and managers serving simultaneously on more than one board. Ninety seven percent of the firms were connected by single-director interlocks, and 70% by multiple-directorship ties. Secondly, and directly contrary to Clement's conclusions, they found no evidence in the interlock data that these firms are clustered into subgroups based on nationality of ownership or sphere of activity. Finally their study suggested that while Canadian and foreign non-financial firms shared few directorship links, both typically had multiple ties to the Canadian-controlled financial corporations. In other words, banks stood in the centre of the networks of interlocking directorships (Ibid.).

In a separate study, Carroll examined the trends in director interlocks in these 100 largest firms over five year intervals from 1946 to 1976. He found dense ties between Canadian-owned industrial and financial firms, but much less dense ties between Canadian financial and U.S. industrial companies operating in Canada. Against what might be expected from the dependency approach, he found that whereas the links among the former have become more dense over time, the Canadian financial - U.S. industrial ties became less dense over this period (Carroll, 1982).

Another study by Ornstein in 1984 focused on directorship links that were reconstituted after a director retired, since these suggest greater intentionally than a one-time directorship tie. He found that about 40% of such directorships were reconstituted after being broken; that dominant corporations that tended to have multiple interlocks were also reconstituted more consistently than those with single interlocks; and that interlocks between Canadian corporations were reconstituted more often than between Canadian and U.S owned corporations (Ornstein, 1984). [47]

Ornstein later compared the network of directorship interlocks among the largest 256 Canadian corporations[48] with similar networks in the 250 largest corporations in each of the U.S. and nine European nations[49] outlined in a study by Stokman et all (1985). His conclusion was that

> ...the Canadian inter-corporate network is not unusually fragmented, that there are no pronounced cleavages between industrial and financial

> capital or between foreign and domestic capital, and that industrial capital is neither subordinated nor peripheral to finance. The Canadian network is quite similar to the networks of a number of European nations, such as Germany and France, about which it is impossible to advance arguments about dependency and underdevelopment. In comparison, the networks of the U.S. and Britain are unusually fragmented. (Ibid., 151) [50]

This study reinforced the findings of the previous works of Fox et all (1982) and Carroll (1986) on a number of points. One such point is the existence of a tightly interlocked financial sector, chiefly the five big banks; another is that the top non-financial corporations are also very tightly interlocked . Ornstein suggest these points "raise doubts about the domination of 'mercantile' capital" in Canada (Ibid., 166).

Ornstein also notes that foreign corporations have fewer interlocks within themselves, while exhibiting stronger interlocks with Canadian than their U.S. counterparts. Again, he interprets this result as contrary to what is suggested by Clement (1975) and Niosi (1983), that U.S. corporations form an alternative, competing centre in the corporate network; rather "foreign-controlled corporations are peripheral to a network dominated by the largest Canadian corporations" (Ibid., 167). He argues that his findings

> ...are very damaging to the [dependency-type] claims about the fragmentation and distortion of the Canadian capitalist class. (Ibid., 170)

2.11 Popular journalists highlight family capitalism

While not really identified with the Canadian political economy school, several Canadian journalists have contributed influential portrayals of the leading figures in and concentration of economic and political power in Canada. In The Canadian Establishment, Peter C. Newman introduced many Canadians to the inner working of some of the key corporations in this country. [51]

Another important book is Diane Francis' Controlling Interest: Who Owns Canada (Francis, 1986), which she described as a "one-woman, private sector Royal Commission." This book provided a vivid populist account of the concentration of economic ownership and power by profiling the 32 richest families in the country, some of whom have risen to wealth relatively recently.

According to Francis, Canada's 32 wealthiest families (those with assets of at least $100 million),[52] along with five more widely held conglomerates, controlled one-third of the country's non-financial corporate assets. This total is nearly double what they had controlled just four years previously. She points out that the combined revenues of these families in 1985, $123 billion, was greater than that of the federal government's income of $80 billion (Francis, 1986, 1).

Francis wrote that Canada has six billionaire families - the Reichmans, the Irvings, the Eatons, the Bronfmans, the Westons, and the Thompsons. By way of comparison, in the U.S., with an economy 12 times as large, there are only 12 billionaire families (Ibid., 2).[53]

She also notes that of the largest 400 public corporations, only 20 are widely held, with the remaining having one shareholder controlling at least 15% of stock. Three hundred seventy four corporations on this list have a single shareholder controlling at least 25% to 30% of voting stock. This compares to only 75 companies in the Standard and Poor's 500 stock index in the U.S. who have such a large shareholder (Ibid., 4).

2. 12 Glen Williams reworks the weak industrial theme

While formally rejecting the dependency approach to Canada, Glen Williams returned to some of the concerns regarding the size and viability of the Canadian manufacturing sector which have always been at the centre of the political economy school in his Not For Export: Towards a Political Economy of Canada's Arrested Industrialization (Williams, 1983).

This book approached the issue of Canada's industrial structure from the traditional association of successful economic development with the growth of finished manufactured products. Williams updated to 1980 Alfred Maisels' (1963) categorization of countries into industrial, semi-industrial and non-industrial countries based on i) the degree of industrialization and ii) finished manufactures as a proportion of total trade. While Maisel had included Canada in the first group in 1952, Williams suggested that "[C]onsidered from the perspective of exports, it could be debated whether Canada more properly belongs among the semi-industrials" (Ibid., 9). Noting that while Canada had increased the proportion of trade composed by finished manufactures from 11% to 32% between 1955 and 1980, Williams went on to say that "most of Canada's competitors have been pressing ahead as well. We remain at the bottom of the industrial heap" (Ibid., 9).[54]

A significant portion of the increase in finished good exports during this period is associated with the Auto Pact, which in Williams' view, tells us

> nothing positive about Canada's position as an industrial exporter as it provides basically for inter-firm transfers of goods which incidentally pass over an international frontier. (Ibid., 10)

He then makes an adjustment to exclude these exports, and the proportion of finished manufactures in Canada falls to 22% of total exports in 1980:

> This leaves us squarely in the company of Brazil and India." (Ibid., 10)

Williams comes very close to classical dependency arguments in statements like the following:

> In general, resource industries are capital intensive, while manufacturing industries are relatively labour-intensive. Put simply this means that historically Canada has sacrificed many potential jobs by emphasizing resource extraction *rather* than trade in industrial products. As a *result*, the country stubbornly maintains an unemployment rate near the top of the highly developed OECD countries. (Ibid., 11; emphasis added)

In this book, Williams rejected other conventional explanations for Canada's industrial weakness on the grounds they lacked a global perspective or amounted to "near determinisms of an economic/environmental or political/social type" (Ibid., 12). For example, he rejected the accounts where foreign investment in the late 19th and early 20th centuries overcame an existing domestic industrial sector (e.g. Levitt, Gordon Laxer), or blocked one from forming (e.g. Drache, Naylor, Clement).

Williams' own explanation for Canada's industrial weakness centered on certain "inevitable" implications of Canada's unique location in the world market [55] which resulted in fairly consistent ISI (import substitution industrialization) strategy ever since the National Policy era. The two main components of this approach have been an orientation to the domestic market, or import replacement, and technological dependence. He argues that once ISI was established as the prevailing pattern, the result was an industrial structure with little potential to grow beyond its domestic horizons. It became progressively more difficult for firms to risk capital on developing world-competitive, export-oriented manufacturing (Ibid., 13).

2. 13 Carroll advances the most complete advanced capitalist account

2.13.1 Against dependency theory

In 1986 William Carroll published what is probably the most complete critique of, and alternative account to, the dependency-inspired analysis of Canada. After describing the positions of the major authors and noting the objections to various elements of such views (some of which have been reviewed above), he also brought to bear the international literature that questions the validity of dependency as a general theoretical construct. Carroll then sketched an alternative conception of Canada as an advanced capitalist country in the world market, featuring an account of the emergence of a dominant, indigenous capitalist class early in Canada's history, based on finance capital.

Carroll noted that the general idea of dependency theory is that an external relation of power distorts the organic functioning of the dependent society. Dependency is a syndrome of hinterland conditions, such as predominance of foreign capital, a relatively small industrial sector, and export specialization in primary products. The logic is that there is an internal coherence to these varied features; that in their absence a normal and more progressive social and economic dynamic could unfold. He proposed that:

> The value of dependency theory rests on the extent to which the symptoms of dependence are systematically inter-related in the empirical world as well as on the link between dependence as a specific condition and blocked or distorted development as a dynamic tendency. (Carroll, 1986, 16)

Carroll noted that both conceptual objections and problems of empirical fit have been advanced against dependency theory. The first of these is the lack of empirical criteria for distinguishing dependency from non-dependency The diversity of conditions within 'dependent' countries is so great that any common empirical measures are so general as to be useless. Similarly, countries not conventionally defined as dependent share important features with those who are. Examples here are the scale of imperialist investment (Canada and Belgium have more foreign investment than India or Pakistan), or technological dependence (c.f. Denmark). Carroll suggested that the paradox of Canada being a 'rich' dependency says less about the need to explain this exceptional situation than it does the analytic incoherence of the general dependency construct (Ibid.).

A second problem identified is the limited degree to which dependency theory really alters modernist and diffusionist conceptions of development. In large part it simply reverses the latters' conclusions, seeing underdevelopment in place of development and substituting radical sounding dichotomies like development/underdevelopment; center/periphery; and dominant/dependent for liberal development theory's analogous pairing of traditional/modern; rich/poor and advanced/backward. As an example, Carroll points to Naylor's revision of Creighton's historiography - where the latter upholds a progressive role for Canadian merchants, for Naylor they were the main force in retarding Canada's national development. In place of Creighton's eulogy, Naylor simply substitutes what Ray Schmidt termed a "moralistic apportionment of blame" (Carroll, 1986, 19, quoting Schmidt, 1981, 76). [56]

A third ground Carroll advanced for challenging dependency theory is the normative, ideological content of certain of its key concepts. At the heart of dependency theory is a contrast between ideal types of development and what actually happens in history.

Carroll argued that the idea of "autonomous development" of a national economy is abstract and idealist; it ignores the actual material conditions affecting each country historically prior to or otherwise unrelated to foreign penetration (Ibid.). In the case of the Canadian political economy school, the reference point for "normal, balanced development" has usually be taken to be the U.S. (c.f. Clement, 1977). Canada's failure to mimic this pattern is then assumed to be the consequence of some combination of colonial-rooted inadequacy and U.S. capital penetration rather than some particular set of other characteristics.

Carroll noted that a number of studies have demonstrated that various countries followed different routes of industrialization and different routes of economic development. Relative to other advanced countries, the share of manufacturing employment in the U.S has always been 'low' at 27%; by dependency logic it could be said to have 'overdeveloped' circulation and service sectors. Similarly, Italy, Japan and France could be said to be saddled with especially 'overdeveloped' primary and agricultural sectors. Carroll proposed that by comparison, Canada's manufacturing sector is no more 'distorted', 'truncated', or its development 'arrested' (Ibid., 22-23).

A fourth conceptual problem Carroll discussed is the empiricist error of mistaking the appearance of reality for its essential relations and dynamics. The result is that

> ...dependency theory appropriates as real the superficial categories of capitalism and proceeds to erect explanations that account for these categories (for example, the unemployment rate, growth rate, size of manufacturing sector) in terms of others (such as domination by MNCs, importation of technology, international trade relations). By remaining primarily at this empiricist level of discourse, dependency analyses inevitably pursue 'the common features of conjunctures rather than the structural features of generic systems' (Howe and Sirca, 1980). (Ibid., 23)

As an example Carroll cited McNally's (1983, 1986) arguments that staples theory equates capitalism with exchange. It fails to consider the specific way that capital and labour combine in specific modes of production. The particular things produced and exchanged are held to have conditioned development in peculiar ways; as Watkins put it:

> ...the history of Canada...is the history of its great staple trades: the fur trade, the cod fisheries, square timber and lumber, wheat, and the new staples of this century - pulp and paper, minerals, oil and gas. (Watkins, 1973, 116, quoted in Carroll, 1986, 24)

Carroll agreed that this is fetishism of commodities. He questioned how the trade in fur with indigenous peoples can be so easily equated with the 20th century production of forest products, metals, electricity, even aluminum smelting - all highly capitalized, employing advanced technology and based in capitalist labour conditions.

Finally, Carroll labeled as empiricist the "eclectic and superficial" views of Naylor and others which equate industrial capital only with the manufacture of finished goods, and an antagonistic division of capital into commercial and industrial sectors (Ibid., 27-28). For example, he suggested that Naylor (1977) was so blinded by this erroneous conception that he saw only the lack of investment by the commercial elite in small-scale manufacturing in southern Ontario, and totally misinterpreted their actual diversification into capital intensive sectors like cotton manufacturing, sugar refining and iron and steel. In Naylor's idealist account, when these industry sectors were taken over by capital with origins in commerce and finance they somehow became "stamped" (whatever that is) with the same "mercantile" character (Ibid., 28, quoting Naylor, 1975, 109).

The last ground Carroll cited for rejecting the dependency approach is the issue of empirical fit. Here he referred to the findings of Bill Warren, who argued that no systematic, general process of underdevelopment can be showed to have occurred on the periphery since western contact, especially not since WW2. The per capita gross domestic product and the share of manufacturing in GDP have grown faster in the peripheral countries than in the developed core, and this is most true for those countries receiving the most direct investment by foreign MNCs. Carroll wrote:

> Consequently, as Warren puts its, the quality of postwar literature on dependency has suffered from 'ascribing rising significance to a phenomenon of declining importance'. (Ibid., 30)

2.13.2 Finance capital in Canada

Having rejected the theory of dependency in general, as well as its application to Canada, Carroll outlined an alternative account of Canadian economic development drawn from the views of Marx, Hilfreding, Bukharin and Lenin on the process of concentration and centralization of capital in the form of finance capital, a "merged" or otherwise stable, close, and symbiotic relationship between large industrial and major financial institutions.[57] Carroll wrote that

> To the extent that large-scale capital exists in Canada in an advanced and relatively state (that is, as an indigenous finance capital), we should be able to discern a financial-industrial elite of Canadian capitalists, controlling large industrial and financial concerns. Likewise, to the extent that such an indigenous fraction can be shown to dominate the Canadian economy, the thesis of Canadian dependency, with its pivotal assumption about the commercial character of the Canadian bourgeoisie, must be considered empirically dubious. (Ibid., 32-33)

Carroll divided 19th century Canada into two rough periods; a more or less classical emergence of industrial capitalism in the first and middle period, followed by a process of tremendous concentration and centralization, first in the railway sector, and later in manufacturing, mining and electric utilities. Most significantly, he argued that a coalescence of the railways with the chartered banks occurred:

> Contrary to the dependency theory, quite a number of studies provide evidence of the emergence of closely articulated financial and industrial interests around some of the country's largest capitals in the later 1880s, and the further elaboration of indigenously controlled finance capital in the decades since (Ibid., 47);
>
> By the second decade of this century, then, an advanced form of capitalist production, circulation and finance was in place in Canada. At the apex of this block of finance capital was a small elite of Canadian capitalists whose interlocking interests and corporate positions effectively fused big industry with high finance. (Ibid., 53)

Carroll argued that these facts of Canadian economic history do not conform to the Naylor-Drache-Clement theory of a dominant commercial bourgeoisie that shunned industrial investments. And, in contrast with the approach of Levitt, Clement and Park, who pointed to a post-WW2 trend to continentalism with Canadian capital progressively drawn into the U.S, orbit and away from national development he emphasized the preservation of major Canadian financial-industrial interests in this time, and even their further consolidation.

Carroll cited as evidence for this latter conclusion comparative economic statistics showing the growing strength of indigenous Canadian capital in the home market and the world stage, along the evidence on the institutional relations that unite the leading capitalists found in studies of interlocking corporate directorships. His own work, with Ornstein and Fox in 1982 on directorship interlocks among the largest 100 Canadian corporations in 1972 had identified the post-war presence of a block of finance capital, centered on the financial institutions and banks in particular. This study concluded that the structural features of the network demonstrated the existence of an independent national bourgeoisie centered in both industry and finance and integrated with foreign capital through the boards of financial institutions (Carroll, Fox and Ornstein, 1982, 62).

2.13.3 Foreign ownership trends

As previously mentioned, Carroll went on to study the ownership and control trends in a sample of successive "top 100" privately owned corporations every five years from 1946 to 1976. This group included the seventy largest industrials, twenty largest financial intermediaries (banks, trusts, investment companies), and ten largest merchandising firms. In addition, seven real estate companies with assets at least equal to the 70th ranked industrials were included. The selection was on the basis of assets, except that several financial intermediaries and real estate firms were selected on qualitative grounds. The total sample included 194 corporations over the 30 year period of coverage (Carroll, 1986, 63).

Carroll first found that the percentage of total industrial assets controlled by the top 70 firms did not show any significant increase (while noting that following a different method, the 1978 Royal Commission on Corporate Concentration did find an increase in the extent of concentration of productive capital in the very largest firms) (Ibid, 65-66). Within the group of the top 70 industrials over this period, smaller corporations on average grew faster than large corporations. However, a large part of this trend is accounted for by one large company, the CPR. His figures show that the growth in assets of the financial intermediaries over this period was a little greater than that for industrials, with their asset total rising to almost three times the latter's by 1976 (Ibid.).

By examining the trends in corporate survivorship in this period, Carroll identified several patterns relating to continuity and change. While a core of two-fifths of the industrials remained in the successive top 100s over this period, there was significant re-organization and new firms emerging as well. Carroll also found that most of the industrial mergers and takeovers involved Canadian-controlled companies, but "there is no clear pattern of foreign penetration through direct takeovers of the largest indigenous industrials" (Ibid., 76). In contrast to the uneven survivorship among the industrials, Carroll found remarkable stability among the financial intermediaries:

> ...a majority of dominant financial firms are consistently dominant, indicating a highly centralized and organizationally stable financial system. (Ibid., 76)

With regard to foreign ownership, Carroll found that of his sample of top 100 corporations, seventy firms controlling 87% of assets were controlled in Canada in 1946. This fell to 64 firms with 77% of assets in 1956, but then rose to 71 firms with 85% of assets in 1976. U.S controlled firms first grew rapidly and declined back down to 12% in 1976, only slightly above their level in 1946 (Carroll, 1986, 78). Carroll noted that the major changes occurred in ownership in industry, with relatively little modification in the largely Canadian owned financial sector (Ibid.).

In 1946, 41 firms controlling 62% of the capital in the industrial sector were controlled in Canada, and 24 firms controlling 32% of assets were controlled in the U.S. By 1976, the Canadian share had declined slightly to 57%, and the U.S. portion had increased slightly to 33%. The largest increase in control over this period was by South African and European capitalists, whose share rose by the same amount as the Canadian share fell (Ibid., Table 4, 84).[58]

By examining the survivorship and industrial category of these corporations, Carroll concluded that rather than a process of foreign takeover or sellout,

> ...on balance, the period was one of successful accumulation of large-scale industrial capital by Canadian capitalists. (Ibid, 91)

By 1976, Canadian capital controlled only a slightly smaller proportion of dominant industrial capital (now much larger) than then did in 1946. In both years their holdings were concentrated in firms consistently positioned at the higher reaches of the economy, but in the later year indigenous investments were more evenly apportioned among the main branches of industry, suggesting a kind of maturation of the Canadian bourgeoisie (Ibid., 91-92). Further, these figures show that

> ...transfers of control do not figure importantly in the postwar histories of the 28 dominant industrials under American control in 1976...Instead of taking over large indigenous firms and constituting a direct predatory threat to the monopoly fraction of the Canadian bourgeoisie, U.S. capitalists have maintained their level of Canadian investments largely through competitive growth rates, the establishment of several new and successful firms and the takeover of smaller Canadian firms. (Ibid, 91-92)

Noting that the slow growth of the CPR contributes to the relative decline in industrial assets, Carroll also notes that

> Consistent with Hutchinson's (1978) interpretation, dominant US firms appear to have occupied more advantageous positions in the economy, particularly in the expanding automobile and petroleum industries. (Ibid, 96)

Carroll summarizes that Canadian capital retained its control of its share of the largest industrial companies, gained control of several previously American firms, shifted out of low-growth utilities to concentrate on mining and manufacturing; increased their presence in foreign countries; this, along with the strength in the financial sector shows

> ...that a definite base for an indigenous fraction of finance capital was maintained from the 1940s into the 1970s. (Ibid, 99)[59]

Having concluded on the basis of ownership data that the dominant capitalist class in Canada was Canadian, Carroll studied the pattern of corporate interlocking among the "top 100" over the post-war period. One method of measuring interlocking is the concept of density, that is the proportion of all possible pairs of firms that are interlocked through directorships.

Carroll's findings here indicated that on the central issue of indigenous versus foreign control of large-scale capital, the highest interlock densities occurred among Canadian controlled firms, especially for multiple-director ties. Very dense interlocking also occurred between industrials and financials and among financial companies. He also found that the most consistently dominant firms also had higher interlock densities, suggesting a stable core of strong ties at the centre of broader network of intercorporate alliances (Ibid., 106). The interlocking densities among Canadian controlled firms increased over this period, while fewer interlocks were found between Canadian and foreign capitals than in earlier years.

Carroll stated that

> These results contradict the thesis that an historical trend exists towards silent surrender or continental comparadorization by Canadian capitalists. It seems that throughout the 1946-76 period, and increasingly in recent years, the bulk of large-scale industrial and financial capital in Canada has assumed the form of an institutionally integrated bloc of finance capital under predominantly domestic control. (Ibid., 127)

His research also showed that

> The close interpenetration within the inner circle of Canadian and American interests in 1946 disappears as consistently dominant corporations such as Inco and Bell fall under Canadian control, retaining their central positions in the network. By 1976, foreign-controlled companies are largely absent from capitalist interest groups and from the inner circle as a whole, as indigenous corporations that rise to economic dominance take up positions in the interlock network. Secondly,

> however...[the networks of most banks]... include a number of foreign-controlled industrial firms, drawing there companies onto the inner circle's periphery. In this way, financial institutions seem to mediate not simply among indigenous interest groups but between Canadian interest groups and the subsidiaries of foreign based MNCs. (Ibid., 157)

In summary, Carroll proposed several facts that contradict the dependency thesis. First, U.S. capital did not grow by takeovers of large Canadian companies, but primarily through takeovers of smaller companies, and through larger rates of growth in the sectors in which they were concentrated, especially because of the high Canadian capitalist ownership in slow-growing utilities and railways. At the same time, indigenous capital also increasingly shifted into these preferred sectors.

Second, in the years since the 1950s, leading Canadian companies regained most the market share lost in these early years of U.S. expansion, and diversified their holdings. Thirdly, a transfer to Canadian ownership of several large U.S. companies occurred in this period.[60] Finally, increased centralization of capital largely occurred under Canadian rather than foreign control. [61]

Overall, Carroll found that instead of an alliance between Canadian commercial interests and U.S. based industrial interests, the network of corporations was increasingly focused around indigenous financial-industrial interests. Instead of a cumulative drift to foreign control of Canada's industrial sector, the past decade and half had been marked by a dramatic repatriation of capital from foreign interests, and an expansion in Canadian investments abroad (Ibid., 186).

In a 1989 article, Carroll developed his alternative approach further, focusing on the definition and contemporary characteristics of finance capital in Canada. The main point presented was his view that finance capital had rapidly internationalized, along with a shift from "polycentric" financial hegemony domestically to a structuring that combined elements of the holding system with German type of universal banking (Carroll, 1989).

Carroll proposed that the combined effect of the 1967 revisions to the Bank Act (which permitted trust companies to act as near banks, promoting a rapid growth in their relative importance) and the deregulation introduced by the Mulroney government was to open up the financial sphere to foreign firms, while also permitting the chartered banks to enter previously prohibited spheres. By 1989 the chartered banks had all either bought up or created their own major investment banking arms. Carroll also cited data showing a large growth in the share of total corporate assets accounted for by the financial sector, from 15.1% in 1961 to 22.1% in 1984.

One important point that should be noted about William Carroll's position is that while taking his distance from the theoretical and analytical basis of dependency theory, he does not appear to see any need for a comparable political differentiation. Despite finding that the dependency perspective is a conceptual and empirical failure, in more than one work he takes pains to identify with what he suggests are positive elements in this perspective:

> If dependency theory falls short of scientific adequacy, the moral premise of its Canadian variant - that the machinations of international capitalist conflict with the needs and aspirations of most Canadians - has been both valid and inspirational. (Ibid., 186)

2. 14 Clark-Jones re-works staples theory and continentalism

Melissa Clark-Jones' book, A Staple State, Canadian industrial resources in Cold War (Clark-Jones, 1987) is mentioned here mainly as a more current example of the dependency-inspired analysis of Canadian industrial policy. This book essentially provided an updated version of Wallace Clement's analysis of the continental alliance of Canadian finance and U.S. industrial capital, stressing the active and conscious role played by the state in promoting and extending (rather than attempting to mitigate Canadian vulnerability within) this dependent alliance. One formulation of note is that Clark-Jones argued that while the historical development of capitalism in the U.S.

> ...did involve a national merger of financial and industrial capital resulting in finance or corporate capitalism (a phenomenon attributed universally by traditional Marxists to all capitalist development), in the Canadian case the merger was achieved continentally, not within the nation. Thus we can speculate that both the financial and comprador factions could be said to have an interest in maintaining continentalist development strategies, while the fraction emanating from Canadian-controlled industry declines away. (Ibid., 5)

She refers to the "mode of production" in Canada as "continental resource capitalism" (Ibid., 211).

2.15 Corporate concentration in Canada

An important issue for both the dependency-inspired and the advanced capitalist account of Canada is the nature of corporate concentration in this country. For the former, such monopolization tends to be associated with foreign control and the manner in which the industrial structure of the economy becomes distorted. For the latter, the question of corporate concentration comes into play in terms of the existence and nature of a national finance capital and both the impulse for and the relative strength of Canadian capital on the world stage.

A collection of articles from a 1987 academic conference on mergers, corporate concentration and power in Canada provides a useful collection of the main points of view and facts on this often-studied topic in Canadian economic history (Khemani, 1988). As the editors stated in the introduction, the conference took place in the midst of a corporate merger boom in Canada that would make the attempt by Argus Corporation to take over Power Corporation in 1975 (the event that spurred the last Royal Commission into Corporate Concentration) "benign by comparison" (Ibid., 1).

2.15. 1 Khemani on forms of concentration

In the first article in the this collection, R.S. Khemani of the federal Bureau of Competition Policy wrote that in Canada

> ...empirical information suggests that there exists a possibly unique configuration of high levels of all three types of concentration, namely aggregate, industry and ownership concentration. (Ibid., 18) [62]

Khemani noted that concern with concentration is not a new theme in Canada. Along with Royal Commissions and government task forces in the 1960s, 1970s and 1980s he cited Myers' 1914 work and the 1935 Royal Commission on Price Spreads in this regard. (The latter study is an interesting analysis which is much less widely cited than it deserves. It estimated that in 1923 the top 100 companies accounted for 25.5% of total assets, and this rose to 35% by 1932. If the railroads were included in these calculations, the corresponding totals would rise to 65% and 75%.) The study also found that of the 145 top non-financial companies, 34% were deemed to be closely held (representing 23% of total assets), i.e. at least 50% of the voting stock was in the hands of one or a small group of individuals (Ibid., 22-23).[63]

Khemani compiled tables on the share of total assets held by the top 25, 50 and 100 enterprises in Canada, with financial and non-financial sectors combined. This amalgamation of financial and non-financial sectors was significant because Statistics Canada has traditionally presented separate data for the financial and the non-financial sectors. As Khemani notes, the usual consolidation into separate series "understates the relative significance of these enterprises [i.e. the top 25, 50 and 100]in the economy as a whole" (Ibid., 24). Khemani also noted Statistics Canada enterprises are also consolidated on the basis of owning at least 50% of common shares, which may tend to underestimate the degree of effective control, which may be exercised through minority methods.

The leading 25 enterprises' share increased from 42.5% of total corporate assets in 1978 to 24.3% in 1983, with the concentration in the financial sector even greater, rising from 48.9% of total financial assets in 1978 to 69.7% in 1983. Khemani's table of figures indicated that the leading 100 enterprises in 1983 controlled 66.9% of all corporate assets, 63.4% of non-financial and 70.9% of all financial assets (Ibid., 25).

Khemani also presented data on the (Canadian only) assets of a group of 15 conglomerates in 1977, whose number reduced to 12 in 1985 due to mergers and acquisitions. Their share of all corporate assets increased from 6.8% in 1978 to 16.0% (estimated) in 1985. While the growth of total corporate assets increased about two and half times in this period, the assets of these top conglomerates grew almost six-fold (Ibid., 26).

Khemani's summary of the aggregate concentration patterns in the non-financial sector is that "[O]verall, since 1965, there has been a consistent upward trend." For industry concentrations, Khemani refers to his own earlier (1976) study, which found that, for example, in the manufacturing sector, 95% of the five-digit products (e.g. four-door passenger cars; canned soup) were produced in sectors where four or less firms accounted for 50% or more of the total domestic output (Ibid., 30).

For the financial sector, Khemani referred to the 1987 findings of the Economic Council of Canada, which found that the top four institutions accounted for 46% of total assets in 1967 and 52% in 1984, totals which he quotes the authors as considering underestimates (Ibid., 27).

Finally, in terms of ownership concentration, he cited the 1983 Securities Industry Committee on Take-over Bids, that indicated that of the 283 companies with shares in the TSE 300 Composite Index, 48% were held by one or a group of small shareholders owning more than 50% of common shares; another 30% of these companies were under effective control (holdings of 20-49% of common shares); and only 21.6% could be viewed as being widely held. Khemani notes the corresponding figures for the U.S. Standard and Poor 500 Index are 1.2%; 13.6% and 85.2%;

> In other words, while the majority or nearly 80% of the TSE 300 companies are closely held, 85% of the S & P 500 companies are widely held. (Ibid., 30)

2.15.2 Marfels - international comparisons

Christian Marfels compared aggregate concentration in Canada and other countries by total corporate assets and sales in various divisions of the economy and for the economy as a whole. He also offered comparisons based on value-added data which is available for most countries for the manufacturing sectors and is a preferable basis for measurement since it eliminates the bias due to double-counting of assets under vertical integration. The main limitation Marfels' noted to his estimates is the exclusion in many cases of considerations of minority control (Marfels, in Khemani, 1988, 54).

Regarding aggregate concentration in the overall economy, Marfels found that whereas it has declined in recent years in Germany, Japan and the U.S., the share of total assets held by the top 100 non-financial corporations in Canada was not only far higher than the other countries, but had increased rapidly from 1970 to 1983. The U.S. was next with a top 100 (non financial) corporate asset ratio of 28.2% in 1983, while for Canada it was 52.2%. For Japan this ratio was 24.8% (in 1984), and for Germany, 24.2% (for 1978, and by sales, not assets) (Ibid., 55).

Marfels also noted that the ratio of average sales of the top 10 industrial corporations to GDP in Canada was second only to Germany. For Canada it was 1.9% in 1985, for Germany 2.1%, Japan at 1.2% and the U.S. at 1.4%. If government enterprises were excluded, Canada assumed a clear lead in this measure of aggregate corporate concentration at 2.3%, with Germany at 1.9%, 1.7% for Japan and 1.2% for the U.S. Marfels also noted that

> ... the relatively high level of concentration in Canada is perhaps best reflected by the fact that as many as 14 of the non-financial corporations held more than 1% each of total assets in non-financial industries, compared to 3 in the U.S., 2 in the F.R. of Germany and only 1 in Japan. (Ibid., 63)

Turning to the manufacturing sector, where value-added data for more accurate comparisons is usually available, Marfels found increases in concentration in the case of Canada, a decline for Japan, and no change for the U.S. As in the case of the overall economy, the Canadian levels significantly exceed those in the other three countries. The percentage of manufacturing value-added accounted for by the top 100 firms in Canada was 47.1% in 1982. For Germany it was 39.5%; for Japan 25.1 (by total corporate assets, not value-added); and for the U.S., 33% (Ibid., Tables 1-4; 63).

In terms of other divisions of the economy, Marfels cited Statistics Canada data showing that the largest 25 enterprises controlled more than 80% of assets in the transportation, communications, and utilities sectors; more than 50% in mining and manufacturing; about 30% in trade; 18% in finance, 12 % in services, and negligible amounts in agriculture/forestry/fishing and construction sectors (Ibid., 55).

Marfels' general explanation for corporate concentration in Canada was that:

> The high levels of concentration in Canada vis-a-vis the three pillars of the world economy [U.S., Germany and Japan] can be explained mainly by the relative smallness of Canada's domestic market. (Ibid., 63) [64]

2.15.3 Financial sector concentration

Khemani's book also contained several papers which addressed various aspects of concentration in the financial industry, a subject that has not been often been explored in detail in Canada. Andre Ryba quoted the 1987 Economic Council of Canada finding that in 1984 the four largest institutions accounted for 52% of total assets, and that 17 institutions accounted for 80% of total assets. By way of comparison, in manufacturing the 4 largest firms accounted for 11.1 of total assets (Ryba, in Khemani, 1988, 328).

Hal Jackman quoted the 1986 Financial Post 500 to show that of the 100 top financial institutions, while 44 are foreign controlled, their share of assets is only 10.3% of the total (Table 1 in Jackman, in Khemani, 1988, 376). Finally, Coucherne reported that of the Canadian controlled group of financial institutions, 12 institutions with 67.4% of total assets are considered widely held; another 18 with 7.8% of assets have an identifiable significant shareholder interest; 8 with 9.1% of assets are provincial and federal government owned; and 18, with 5.5% of assets are cooperatives and credit unions (Coucherne, Table 3, in Khemani, 1988, 535).

2. 16 Kellogg disputes dependency predictions: "Facts, as they say, are stubborn things." [65].

A 1990 dissertation by Paul Kellogg attempted to demonstrate that the Canadian dependency perspective fails on its own two central grounds, i.e. the level of foreign ownership/control of the economy, and the composition, size and international position of the manufacturing sector.[66] Kellogg particularly emphasized that the post-war trends in each of these areas run directly counter to the predictions advanced by what he calls the "weak Canada" perspective (which would include both dependency and intermediate viewpoints reviewed here). His conclusion was that "by any standard" Canada is one of the most advanced economies in the world, having over the past 30 years has steadily strengthened its position relative to the U.S. (Kellogg, 1990).

<u>2.16.1 Foreign ownership declines</u>

Kellogg reviewed the Statistics Canada data on foreign ownership in the non-financial sectors of the economy, underlining the steady and significant decline from the peak of 38% in 1971 to the low point of 27% by 1987 (the last year for which data was available). He demonstrated that this general trend is also true for each of the key sectors taken separately. Furthermore, Kellogg underlined the fact that U.S. ownership and control since the 1970s had fallen faster than the overall foreign ownership. Noting the merger wave of 1988-89 when several large Canadian firms were taken over by U.S. corporations (e.g. Dome Petroleum, Bow Valley, Consolidated Bathurst, Falconbridge), he projected that the effect would be an increase in the share of foreign ownership over the previous years by 0.6 % and 0.4 % respectively, but would not qualitatively alter the previous pattern described (Ibid.).[67]

Kellogg noted that other writers like Glen Williams and Gordon Laxer (see above) had acknowledged a decline in the level of foreign control, but they tended to downplay this phenomenon. Williams, for example, attributed the decline in foreign control to mergers, government takeovers and a few "controversial reclassifications" regarding the nationality of certain firms (Williams, 1983, 103). Similarly Laxer had argued the decline was attributable to the "mild economic-nationalist policies, begun in the 1960s", but implied that the reversal of such policies by the Mulroney government, especially through the Free Trade Agreement, would result in more industries reverting to U.S. control (Laxer, 1989, p. 3-4, cited in Kellogg, 1990.)

In reply to Williams' point, Kellogg argued that neither Canadian mergers nor growing government ownership of industry signal foreign control. With regard to the kinds of controversial reclassifications Williams' had objected to Kellogg reviewed why Statistics Canada shifted Inco Ltd. from U.S. to Canadian control in 1971. He pointed out this change was consistent with Statistics Canada's traditional criteria of assigning control primarily according to where the most shareholders are resident. Rather than distorting reality, as Williams suggests, Kellogg argued such reclassifications on this basis were consistent with an objective trend of growing Canadianization (Ibid.).[68]

Against Laxer, Kellogg argued that changes in the foreign ownership trends were not obvious following the 1984 election of Mulroney. He also gave little credence to the arguments regarding nationalist government policy, since Laxer and others had previously argued how ineffectual and inadequate the Foreign Investment Review

Agency and similar Liberal government policies had been in protecting Canada from further foreign domination (Ibid.).

Having demonstrated the significant decline in foreign ownership in Canada, Kellogg also cited the work of Jorge Nioisi (1985) and others to show that Canadian foreign direct investment had been increasing more rapidly than that of foreign investment in Canada. By the mid 1980s, the pattern of net capital flows into the country had actually reversed (Ibid.). Kellogg particularly highlighted Canadian investments in the Caribbean, citing Conference Board of Canada figures that the total value of direct Canadian investment in the whole region was $2 billion (as compared to the US's $29 billion). However he also quotes Robert Chodos (1977) regarding the near-domination by Canadian banks in the region, and the majority Canadian FDI presence in several Eastern Caribbean islands. Kellogg argued that while the dependency predictions of deteriorating social and economic conditions in Canada were well off the mark, ironically they applied very well to the Caribbean - as a hinterland of Canada (Ibid.).

2.16.2 Canadian manufacturing strong and gaining

Kellogg's next target was the dependency school's portrayal of the structure of Canadian manufacturing exports as evidence of a weak and truncated industrial sector, a characteristic ultimately attributed to foreign ownership. First, he noted that the MacDonald Commission (1984) had pointed to the striking decline since 1954 in the proportion of raw material in the export total, and the rapid rise in finished goods exports. By 1988 the manufacturing end products share in Canada had risen to 42.5%, as compared to a decline for Britain and Germany to 60 and 50% respectively, and a similar range for Sweden, the U.S., France and Italy.

Kellogg expended considerable and detailed effort in addressing what he calls the "auto pact effect". A large portion of the increase in finished good exports was attributable to the auto sector. However, a number of writers such as Williams (1983) and Clement (1989) excluded the auto sector from their portrayals of the trends in Canadian finished manufactures on the basis that they are "intra-firm transfers". This is a procedure whose legitimacy Kellogg strongly disputed, since the same argument could apply to a very wide range of other products. He also reinforced his argument by dissecting the definition of components of the large auto-part sector to suggest that many items labled intermediate products could more properly be included in the finished exports category (Ibid.).

Kellogg noted that Canada produces significantly more than its share of North American autos, and that the sector is strongly tied to others like chemicals and steel. Even when the auto exports are excluded from finished goods, however, Kellogg demonstrated that while the share of finished goods in Canada's total exports is lower than the OECD average, it had been steadily growing up to 1988.

Kellogg also noted that Canada has a far higher share of exports to GNP than other advanced capitalist countries, which results in a large denominator in the finished goods share of exports. By utilizing Bairoch's comparative data on levels of industrialization (Bairoch, 1982), he demonstrated that Canada's per capita level of industrialization [69] was above average for the 10 developed countries (above Switzerland, Japan, the UK., France and Italy). Kellogg also cited Resnick's 1989 article (see above) demonstrating Canada's strong competitive position in world markets, as its share of developed countries trade grew from 3.3% in 1960 to 4.1% in 1980. In this period the UK share fell from 14.6 to 7.2%, the U.S. from 20.1 to 15.9% and Sweden fell from 3.4% to 2.6%. Kellogg cited as "prima facie evidence" against the pessimistic dependency theorists the fact that the gap between the total value of end products imports and exports has been narrowing, with the latter growing 8 times faster than the former between 1954 and 1987 (Ibid., 110).

Finally, Kellogg noted that most of the remainder of Canada's non-manufacturing exports are not the raw materials and primary products usually highlighted in dependency accounts. A large portion fall into a large and heterogeneous category called "fabricated materials, non edible". Along with items like "furs", this category includes many high technology and capital intensive goods like chemicals, iron and steel, and wood and paper. These happen to be major products for a resource endowed country like Canada, so that the manufactured finished goods sector alone is a poor representation of Canada's overall industrial economy.

Kellogg also evaluated typical 'weak Canada' claims that unemployment is higher in Canada, that output per capita and productivity are lagging relative to other OECD countries, and that the country is de industrializing. In each case he cited authoritative data to demonstrate that Canada has done better in each of these areas than other OECD countries (with the notable exception of Japan in the case of manufacturing growth rates).

2. 17 Recent contributions

2.17.1 Grabb Describes Wealth Ownership In Canada

In 1990, Grabb reviewed the evidence available on corporate concentration and ownership in Canada. He wrote that a common thread on the research on this question was that, if anything, Porter and Clement's classic studies had underestimated the extent of concentration of economic power (Grabb, 1990, 73).

In this article Grabb cited the Statistics Canada data for the percentage of assets and profits accounted for by the top 100 and the top 25 corporate enterprises[70] in Canada over 1975-1985. The proportion of assets held by the top 100 rose from 46.5% to 52% and the top twenty five corporations moved from 29.2 to 31.5%, with the corresponding figures for profits showing even greater increases (Ibid., 78).

Grabb also noted that the presence of government owned firms had also increased in the top 100 firms over this period, though he states that "claims of an imminent takeover of our economy by an expansionist Canadian state clearly misrepresent the current situation in our society" (Ibid., 88). His analysis of the trends in foreign ownership was that it was "still notable, and on some dimensions, may be more extensive than it was ten years ago", attributing this to the more receptive political climate for foreign investment under the Mulroney government (Ibid., 78).

Grabb's own contribution was to estimate the extent of ownership of wealth in sectors not usually addressed in considerations of economic wealth in Canada. According to these admittedly rough estimates, in 1985 the assets of religious organizations totaled $15 or $20 billion, of educational institutions about $15 billion, charitable organizations about $1 billion, and trade unions about $3.6 billion. He provides the following overview of ownership of assets in Canada:

> i) Persons and unincorporated businesses account for 36% of the total, of which unions, educational and religious institutions add up to 2%.
>
> ii) Governments (federal, provincial and municipal account for 20% of total assets, of which financial institutions account for 3%, and non-financial enterprises 5%.

iii) Private sector business accounts for 44%, of which financial institutions own 21%; Canadian non-financial corporations 18%; and foreign non-financial corporations 5% (Ibid., 86).

Grabb suggested that most data on foreign ownership underestimates the actual level of foreign influence and involvement in the Canadian economy because Statistics Canada data does not include cases of foreign minority control; because foreign interests continue to be concentrated in the small number of giant enterprises at the top of the structure; [71] and because of the changes in government policy, especially easing restrictions on the operation of foreign banks in Canada (Ibid., 89).

2.17.2 Richardson supports finance capital theory

A 1988 article by Richardson puts the trust sector of the financial industry in Canada into the context of the classical questions of who controls corporations. He concludes that

> ...the recent integration of the Canadian trust industry into huge conglomerates provides institutional solidification of finance capital and a quantum leap in the resources available to finance capitalists. (Richardson, 1988, 3)

Richardson noted that the Canadian trust companies were originally dominated by the chartered banks, who had set them up to administer estates and trusts of their major clients. Over the years each nominally independent trust tended to be associated with a particular bank, as evidence by the pattern of bank executives occupying their chief executive office and a filling a plurality of trust directorships (Ibid., 3). The 1967 revision to the Bank Act required the banks to sever their directorship ties and restrict ownership to 10% of voting shares of any one trust, and eased restrictions on trust activities. Since then Trusts had grown very rapidly and begun to move beyond their previously passive investor role.

Richardson cited government data to show that the assets controlled and administered by the trusts grew from 5.2% of GNP in 1950 to 11.9% in 1965 and 42% in 1984. These assets are roughly divided between one-third in deposit-taking, near-bank operations, and two-thirds in estate and trust operations. The 1984 figure above represents an amount equal to 81.3% of the chartered banks' Canadian assets. If the bank's international assets are included, and the trust's estate and trust administered assets are excluded (which is the basis of comparison promoted by the regulation-wary trust industry) this percentage shrinks to 14.4% of bank assets (Ibid., 5).

Finally, Richardson noted that he trust industry is quite concentrated, with the top 4 trusts having increased their share of the total trust industry assets from 55.8% in 1950 to 67.3% in 1984. Further, each of the top 10 trusts was in turn controlled by a large Canadian conglomerate (Ibid., 11).

A 1990 article by Richardson summarized some the main facts relating to economic concentration in Canada. He proposed that the most important recent developments in this regard are the resurgence of family controlled enterprises, the growth of huge conglomerates and the integration within these conglomerates of both financial and non financial firms. In his view, these developments confirmed the applicability of the concept of finance capital to Canada, along the lines of David Harvey's (1982) re conceptualization of Lenin and Hilferding's classic analysis (Richardson, 1990, 341). In his view, the questions raised about the applicability of finance capital in Canada due to the Canadian Bank Act restrictions on bank ownership of non-financial firms (see. e.g. Niosi, 1981) have been overcome through the integration of the trusts (which have grown to control more than 80% as much as the Canadian assets of the chartered banks) into financial-industrial conglomerates.

Richardson noted that Statistics Canada data showed that the top 100 enterprises account for 55% of total non-financial assets and profits of the total of 319,212 corporations in Canada (Ibid., 343). By way of comparison, he cites Francis' (1986) data that in the U.S. the top 100 enterprises account for one-third of total non-financial corporate assets and profits.[72]

Richardson developed a list of 17 top non-financial enterprises (corporations under common control) from the 1986 Financial Post survey. He found that they had considerably increased their assets relative to those of the largest 170 non-financial corporations. While the assets of the latter had doubled in the seven previous years, they had tripled for this group of 17 conglomerate enterprises, to the point where they controlled 76.5% of the assets of the 170. Further, he found a marked increase in the extent of identifiable family control over these dominant conglomerates - in 1985, eleven of the total of 17 were under family control, as compared to seven in 1978 (Ibid., 346).

Drawing on his earlier work on the Canadian trust industry noted above, Richardson wrote that this sector has emerged in the last 20 years as a force to rival the chartered bank's traditional influence within the financial scene in Canada. Along with a more interventionist investment approach, he noted that in the previous decade every one of the largest 10 trusts companies (with over 90% of all trust assets) had been acquired by non-financial conglomerates, most of which were included in the list of the top 17 conglomerates referred to above. Furthermore, the largest 3 Canadian merchant banks had also come under the control of these conglomerates (Ibid., 349-350). As he noted, since the proportion of total corporate assets controlled by these enterprises referred to above does not include financial assets, this measure alone significantly underestimates their overall economic clout.

Richardson noted that the applicability of the concept of finance capital to Canada has been debatable in the past, and that the presumed absence of finance capital has often been used by writers like Clement (1975) or Laxer (1985)[73] to help explain the extent of foreign control of the Canadian economy. However, he proposed that after the work of Carroll, Fox and Ornstein (1982) and Carroll (1986), along with the facts on the recent concentration and integration of financial and non-financial capital he presented

> ...there can be little doubt that the concept of finance capital aptly serves as the organizing principle of the contemporary Canadian economy. (Ibid., 348)

Richardson wrote that while research on the United States and Europe tends to demonstrate that finance capital operates mainly through the "impersonal possession" of managerial-controlled enterprises (cf. Scott, 1985, 1987), in Canada, control has been highly personalized in the form of individual and family ownership (Ibid., 348).[74]

In another article in 1992, Richardson directed his attention to the roots of the Canada-U.S. Free Trade Agreement, suggesting that it was in part an expression of an expansionary strategy of finance capital in Canada, which had gained power relative to that of other classes in Canada and to other international competitors.

In this most recent article he noted a number of studies showing the high and growing degree of corporate concentration in Canada, citing Marfels' (1988) conclusion that this degree of concentration is more than twice the level found in the United States, Germany and Japan (Richardson, 1992, 310).

Richardson also updated his earlier work on the trust sector in Canada by noting the very large Caise de depot et placement pension fund's and the Desjardin credit union in Quebec's respective control of assets of $37 billion and $30 billion places them right behind the big five chartered banks in terms of size. He noted as well that in the previous decade, the non-mutual insurance companies had largely been taken over by one or other of the 17 dominant enterprises in the country.

Richardson further noted that there has been a growth in the Canadian control of non-financial corporations in the previous decade. Of the Financial Post's top 397 non-financial corporations, the percentage of foreign controlled assets declined from 29% in 1978 to 25% in 1987. However, the foreign controlled share of the top 17 non-financial enterprises (corporations under common control) decreased even more, from 36.4% to 25.5% (Table 1, Ibid., 311).

Finally, Richardson analyzed the inter-enterprise ownership patterns among the top 17 enterprises in Canada for evidence on corporate integration and common (as opposed to parochial) business interests. He found that 15 of 17 enterprises hold significant (more than 5%) minority share holdings in each other, or jointly hold, with other members of the 17, significant share holdings in other corporations in the Financial Post's top 500 corporations. More than 44% of all possible links were found in the form of such inter-enterprise ownership links (Ibid., 312).

2. 18 Canadian nationalist Mel Hurtig

Finally, a writer who clearly belongs in this discussion of Canadian dependency and nationalism is the founder of the Committee for an Independent Canada and leader of the former National Party, Mel Hurtig. His book, The Betrayal of Canada (Hurtig, 1991), is a good current summary of the arguments that many of Canada's problems, from the recession and unemployment to social service cutbacks, are due to the growing influence of the U.S., and particularly in the recent period, to the Canada-US Free Trade Agreement.

Prominent place is given in this book to the levels of foreign ownership/control in the economy, though some of the data cited is used a little loosely. For example, Hurtig wrote that 49% of the top 500 corporations in Canada were foreign controlled in 1987, the source for which he does not cite, but it would seem to clearly be at odds with other authors' findings cited above (Ibid., 55). Later he stated that 54% of the 1991 Financial Post's Top 500 companies in Canada (268) are 100% foreign owned, while another 17% (88) are partially foreign owned (Ibid., 57).

Similarly, a chart on comparative levels of foreign ownership in Canada, European countries, the U.S. and Japan in 1989 shows a level in Canada at around 32%, and he predicted that the figure would "show large increases in each industrial category" for 1990 (Ibid., 55-56). While different figures correspond to different ways of measuring foreign control, and these in turn vary year by year, it can be noted that 1989 Statistics Canada figure for foreign ownership in the non-financial industries sector he cites was 25.8 % by sales and 24.1% by assets (Statistics Canada, 1993, 34). [75]

Hurtig provides an outstanding example of the nationalist logic that directly associates high unemployment in Canada with foreign ownership. In one chart he shows that the number of jobs created for every billion dollars of profits between 1978 and 1984 by U.S. companies was only 17, whereas for Canadian companies it was 5765, thus suggesting Canadian companies are 339 more likely to create jobs than U.S. companies

(Chart 24, Ibid., 72). No allowance is made for the scale of enterprise, difference in capital intensity, sector of activity, etc.; the implication is that there would be more workers employed if the companies were Canadian owned, or at least that Canadian capitalists would have invested their capital in more labour-intensive activities.

This example provides a nice contrast with John Porter's comments at the beginning of this chapter on the institutional imperatives of corporate capitalism, regardless of nationality. That this issue has been an enduring one in Canadian political economy is also illustrated by following 1935 quote from the Research Committee of the League for Social Reconstruction, a progenitor of today's New Democratic Party:

> That foreigners control this or that particular industry will trouble none but those earnest patriots, who, in defiance of all the evidence, persist in believing that the Canadian capitalist is a different kind of being from the foreign, that one is a philanthropist, the other a robber and cheat. (quoted in Park, 1962, xi)

2. 19 Summary of Literature Review

This summary will highlight some of the main points that have emerged from this literature review on the characterization of the Canadian social formation in the political economy literature.

It should be noted that this review has given far more than representative attention to writers who fall in or near the advanced capitalist approach. A large majority of the political economy school would currently fall into the intermediary approach. However the latter is a very heterogeneous category, and while the classical dependency positions of the early 1970s have been almost universally formally rejected, the review illustrates that very similar themes consistently emerge in intermediate approaches. The real dividing line is thus a classical distinction between the characterization of the privileged status of an advanced capitalist and imperialist country and those who perceive Canada as being a *victim* of other advanced capitalist and imperialist powers, whether as a typical semi-colony or in various terms of Canadian 'exceptionalism'.

2.19.1 Foreign ownership/control of the economy

This review has documented several key empirical issues on which the dependency-inspired and advanced capitalist perspectives differ. The most important of these is the current extent of and the historical trends in foreign (especially U.S.) ownership/control of the Canadian economy. The most recent Statistics Canada data on this question cited above by Kellogg (1990), Resnick (1989) and Richardson (1992) is for 1987. It showed that since the early 1970s there was a very considerable decline in foreign and especially U.S. influence in both the overall economy, and significantly, in each main industrial sector, without exception.

For the non-financial sector the total foreign control declined from about 37% in 1971 to about 27% (by revenue) in 1987, and these totals would be significantly lower if the financial sector, where authors like Niosi projected foreign control is around 15%, was included. Against vivid accounts of a large scale "sellout" or "US takeover" of the Canadian economy, writers like Carroll demonstrated that a only a minority of US investment has occurred through takeovers of large-scale Canadian corporations, while Canadian capital maintained and even strengthened its position among the largest firms in the country.

2.19.2 The strength of Canadian industry

Another key question in this debate is the relative health of the manufacturing sector in Canada and its relation to foreign ownership and control. On this question, Resnick

(1989) and Kellogg (1990), among others, showed that Canada developed a significant manufacturing sector even before WW1, and that contrary to many pessimistic portrayals, the recent general trend in Canadian manufacturing has not been to fall further behind the main advanced capitalist countries, but rather to steadily gain position on these rivals. Kellogg in particular also dissected the sectoral composition of Canadian manufacturing exports to argue that influential accounts like that of Williams (1983) on industrial and manufacturing export weakness in Canada are significantly exaggerated. Carroll advanced a general theoretical critique of the dependency logic that associates questions like industrial unemployment with levels of foreign economic control.

2.19.3 Canadian foreign investment

Jorge Niosi (1985) and other writers demonstrated that Canada is a world leader in both the absolute levels and relative size (to its own GNP) of foreign investment. Canadian investment in both third world areas like the Caribbean and advanced regions like the U.S. has been growing faster than foreign investment into Canada in recent years. Dependency school writers have either paid little attention to Canadian holdings abroad or downplayed their significance in terms of a possible Canadian imperialist character, by proposing one or other variation of a 'go between' theory where Canadian FDI ultimately reflects U.S. (rather than Canadian) capitals' interests. Critics of dependency like McNally (1981) or Kellogg (1991) characterized the pattern of investment in and out of Canada as an early example of the broader secular tendency towards increasing interpenetration among capitalist countries.

2.19.4 Corporate concentration

Regarding corporate concentration, there is little dispute in the literature that Canada is one of the most concentrated economies in the world, though the dependency school often linked this to the degree of foreign penetration, a contention disputed by Carroll (1986) and others. Several writers (e.g. Niosi (1987), Marfels (1987) emphasized the small relative size of the Canadian economy in such comparisons. Richardson (1990) and others have noted the especially high degree of concentration in the financial industry in Canada.

2.19.5 Divided and dependent bourgeoisie, or independent finance capital

A central conceptual and empirical issue in Canadian political economy is the historical origin and composition of the capitalist class, and whether it or foreign capital holds effective control of the economy as a whole. Against the (Naylor-Clement) conception of the bourgeoisie is divided between an indigenous financial and foreign-dominated industrial sector, the advanced capitalist approach best represented by Carroll portrayed a relatively strong and unified class based on independent Canadian finance capital. This conclusion was based on three main areas of evidence: historical descriptions of the development of Canadian capital; the growth of indigenous ownership/control of corporate assets in Canada; and the patterns of interlocking directorships among dominant enterprises.

While Carroll (1986), McNally (1983) and Kellogg (1991) argued that finance capital and indigenous capitalists have held control of the Canadian economy since at least the early 20th century, Resnick identified the shift to independent, core country status as occurring *after* the 1960s (Resnick, 1982, 1991). His account of the maturation of the Canadian bourgeoisie relied on increasing state enterprise in the economy and favorable raw material export prices which combined to facilitate significant repatriation of corporate assets by Canadian capital. Niosi (1983) also advanced this opinion, but to a lesser extent.

2.20 Conclusions and research direction arising from literature review

This literature review has provided some evidence on each of the main points related to the general hypothesis that, rather than sharing in any significant way the characteristics of dependent and semi-colonial countries, Canada is more accurately described as one of the main advanced capitalist countries in the world.

It is difficult to see how any dependency-inspired position can be sustained by reference to the main traditional empirical basis around which this perspective developed, namely the levels of foreign control and the nature of the industrial economy. As noted in the introduction, very few political economy writers still admit adherence to the classical dependency position, but in the review of the literature it also became evident that very few political economy writers have subjected this intellectual pedigree to the conceptual or empirical evidence raised by authoritative critics like Philip Resnick or William Carroll. Many recent expressions of dependency- inspired perspectives prominent in the 'left' opposition to the Canada-U.S. Free Trade Agreement were not even discussed here. This is because although they touched directly on the issues in dispute, these works generally relied on factual basis that was decades out of date, or, more often, were simply silent on these issues. Either the evidence raised to question the traditional premise of Canada's dependence is either too embarrassing, or these writers assume that now popular conceptual frameworks like 'globalization' transcend such issues - without, however, having clearly settled intellectual accounts with previous approaches.

The points of divergence between the two counterposed positions described here have a different significance and weight for each side. For the dependency perspective, the idea that the question of foreign ownership and control of the Canadian economy qualitatively distinguishes it from core capitalist countries is absolutely central to the whole perspective. It was the key point around which this school arose in the late

1960s; it is the main basis for "explaining" the pattern of economic development in Canada, including features like the rate of unemployment and regional disparity; and it is always one of the priority areas for policy and political intervention.[76]

Statistics Canada recently published additional and more recent data on Canada's international investment position. This made it possible to broaden and extend some of the studies of the patterns of foreign economic control in Canada discussed in this chapter. This effort is described in the following Chapter 3, the main section of this study.

Chapter 3: Evidence on Canada's international investment position

3. 0 Introduction

3.0.1: Outline of Chapter

This chapter presents and evaluates evidence on a specific hypothesis concerning Canada's international investment position. As proposed in the previous chapters, the question of the level and trends in foreign investment in Canada and of Canadian investment abroad is a central element of the more general hypothesis about the nature of the Canadian social formation. This chapter attempts to draw certain conclusions regarding the dependency perspective from the evidence on relative foreign economic control.

The specific hypothesis examined here is composed of four questions, posed as arguments against elements of the traditional dependency position:

i) Whether the exclusion of the financial sector in almost all of the previous empirical estimates of foreign control of the Canadian economy significantly overstates foreign control;

ii) Whether the secular trends in foreign control contradict the predictions of a progressive loss of domestic control over the Canadian economy as a whole and/or strategic sectors like manufacturing;

iii) Whether the view of Canada as a kind of semi-colony is belied by the pattern of Canada's own foreign investments; and

iv) Whether the level of foreign ownership and control in Canada is similar to that in other advanced capitalist countries for which dependency perspectives cannot be advanced.

Part 1 of this chapter presents evidence on the level and trends of foreign control of the Canadian economy. This includes reviewing additional data sources and more up-to-date figures than were employed by previous studies cited in Chapter 2. It devotes considerable attention to the methodology of the estimates of foreign control by Statistics Canada which have been the traditional source for all writers on this topic, and compares the different data series now available. The main purpose of this section is to update previous studies' use of the estimates of foreign control in the non-financial sector from 1989 to 1992, and then to add consideration of the estimates now available for the financial sector (and so the economy as a whole) since 1983.

Foreign control of the Canadian economy is only one side of Canada's position in the world economy, and Part 2 of the chapter broadens the picture, first by reviewing the level and trends in Canada's own foreign direct investment (particularly vis-a-vis the US), and second by comparing the levels of foreign control in Canada with those in other OECD countries.

Part 3 summarizes this evidence on Canada's international investment position.

3.0.2: A note on the relevance of corporate nationality

There is a point of view that argues that the whole question of foreign ownership and control has lost its relevance because with the 'globalization' of the world economy, the traditional concept of a national economy has become obsolete. Three quick observations may be made here in defense of an emphasis on the nationality of corporate wealth (though obviously differences still remain on the significance of any given level of foreign ownership).

The first point is that in the real world almost all corporations are in fact widely identified by nationality. Wherever it operates in the world GM is a US corporation, Sony is Japanese and the Royal Bank is Canadian. Second, it seems obvious that corporations continue to ultimately rely on home states to defend their competitive profitability in an uncertain and often hostile international marketplace. This is obvious in a period of growing protectionism; another example is that Canadian taxpayers picked up most of the tab for writing off bad loans made by Canadian banks to Third World countries (they were allowed to write off so much in a single year, 1987, that (book) profits went red and they paid zero income tax).

A third point is that corporate nationality is really the nationality of its shareholders, i.e. it is not so much corporations that have nationality but the capitalists or other shareholders who own them. The personalized organization of wealth (e.g. seen in the evidence on family capitalism in Canada cited in Chapter 2) and the personal connections between the economy and state power, i.e. between social class and political power, should not be as easily ignored as some of the proponents of 'globalization' frameworks seem to do.

3. 1 Part 1: Estimates of foreign ownership and control of the Canadian economy

3.1.1: A preview of the measures

The Canadian government collects extensive data on foreign ownership and control of the economy, and is the main factual source for all writers on this question. [77] The methodology and coverage of these estimates will be discussed in detail in the various sections below. [78] The following is a quick preview of the four main series offering estimates of foreign ownership and control of the economy, the industrial sectors they cover, and the periods for which they are available:

1) By assets, revenue, equity and profits (non financial industries), 1965-1992

The traditional basis for describing foreign influence in the economy has been in terms of the control of corporate *assets, equity, operating revenue and profits*[79] of the *non-financial* industries.[80] Statistics Canada publishes this data in a consistent annual series since *1965*, with the 1989-1992 data published after all of the studies cited in Chapter 2.

2) By assets, equity and revenue (financial industries and all industries), 1983-1992

The same series as above (with the exception of profits) was also made available since most of the studies cited in Chapter 2 for *financial* industries (and so also the *economy as a whole*), but for only the period *since 1983.*

3) By capital employed (non financial industries), 1926-1993

For the *non-financial* industries in Canada, estimates of foreign ownership and control of *capital employed* [81] have been recently been reworked by Statistics Canada into a single, relatively consistent series for *1926 - 1993.*

4) By the value of foreign direct investment (national economy), 1926-1993

Statistics Canada tabulations of inward and outward *foreign direct investment* (FDI) [82] are available for Canada *since 1926*; the OECD and United Nations collect and publish recent national data for most countries of this component of international balance of payments accounts.

The first and second of these series are the main focus of this study of foreign ownership and control in Canada. The third series on capital employed is mainly of interest here because of its much longer period of coverage, and it will be described immediately below. The fourth series on FDI is used mainly in Part 2 to compare Canada with other countries.

To provide an initial picture of these measures, Figure 1 below compares the absolute values of various measures of foreign investments in Canada. Figure 2 then illustrates the foreign owned or controlled share of these measures. [83] The actual numbers and sources for these estimates are found in Table 1 in the Appendix.

Figure 1: Measures of foreign holdings in Canada, 1992 ($billions)

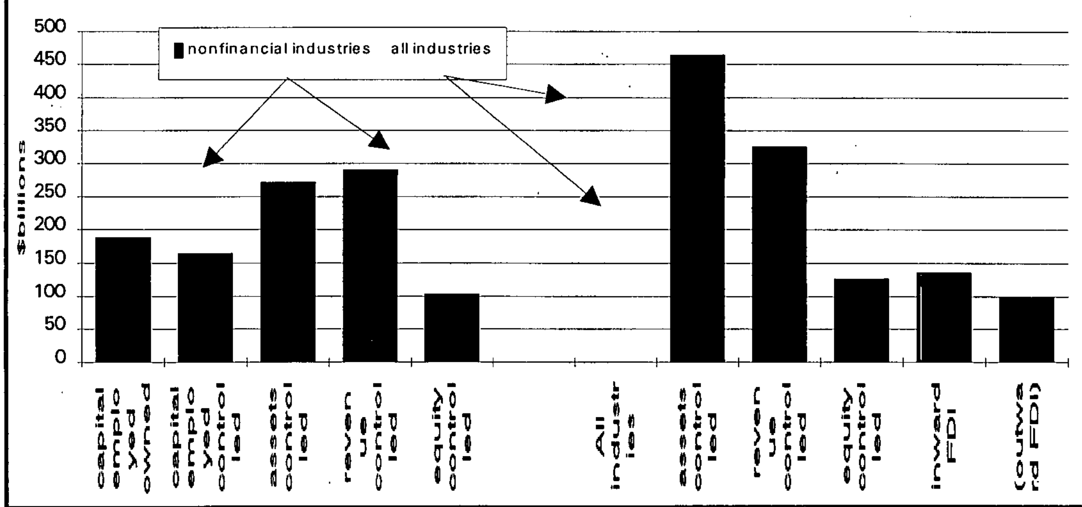
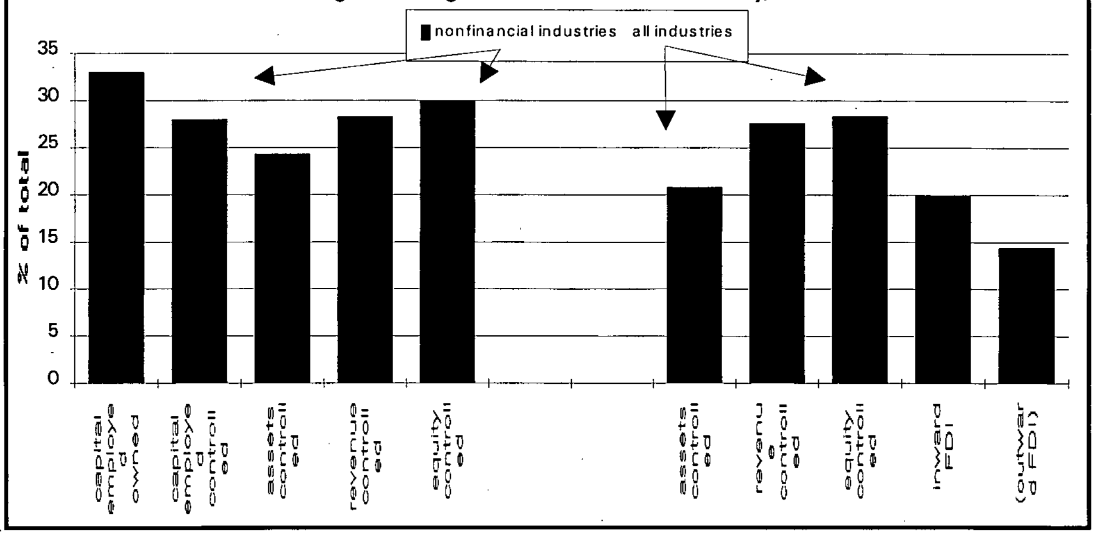


Figure 2: Foreign shares of the Canadian economy, 1992



3.1.2 Foreign ownership and control of capital employed in non-financial industries, 1926- 1992

As noted above, Statistics Canada recently reworked and consolidated earlier estimates of the foreign share of ownership and control of capital employed in non-financial industries into a reasonably consistent series, published in Canada's International Investment Position, Historical Statistics, 1926-1992 (Statistics Canada, 1993b). Few writers on foreign control of Canada's economy have referred to this capital employed data, collected over the years for Canada's international balance of payment accounts. This is probably because of various discontinuities in its previous reporting and because the other, more systematic estimates for equity, assets, revenue and profits (which will be discussed below) have been available since 1965.

Capital employed is defined as long-term liabilities and equity used in Canada, which includes voting and non-voting shares, preferred shares, convertible shares, warrants, bonds, debentures, loans and other long-term debt or equity instruments. [84] The value of foreign ownership reported is the aggregation of capital employed that is owned by foreign interests in both foreign and Canadian controlled corporations. Foreign control, on the other hand, is the capital employed of only those corporations that are controlled by foreign interests, including the portion owned by Canadian resident non-controlling interests. Conversely, a portion of the capital employed by Canadian controlled corporations includes that owned by both foreign corporations and other, non-controlling Canadian corporations. [85]

In this series, an enterprise was considered foreign controlled prior to 1975 if over half of its voting stock was known to be held in a foreign country or if 75% of the voting stock was held by non-residents. From 1975 on, an enterprise was considered foreign controlled by any related group that owned more than 50% of its voting stock (Ibid., 284).

As Statistics Canada notes, despite their efforts to rework past data into a more consistent form these figures should still be treated as approximations because over the years different sources, varying accounting practices and changing industrial classifications have been employed. The pre-WW2 period is also only represented by data for selected industries, and only for 1926, 1930, and 1939.[86] It is quite apparent that certain discontinuities remain, especially before the mid 1940s; the catalogue delicately suggests that "the material is nevertheless believed of sufficient value to represent relative positions of domestic and foreign capital in some areas of the economy" (Ibid., 283).

While the main value of this series for our purposes is its long period of coverage, this is also likely its main limitation, i.e. comparing the absolute levels of ownership and control in widely separated periods, especially before and after WW2. However, it is likely that the trends over short periods of time are reasonably accurate. In any case, this series is probably preferable to other efforts to string together various figures on foreign control of the economy to obtain long trends, such as the recent effort by Kellogg (1991). [87]

Figures 3 and 4 below present, respectively, the foreign and US ownership and control of capital employed since 1926. The data and sources for these figures are found in Table 2 in the Appendix. [88]

Figure 3: Foreign ownership and control of capital employed in non-financial industries, 1926-1992 (percentage share)

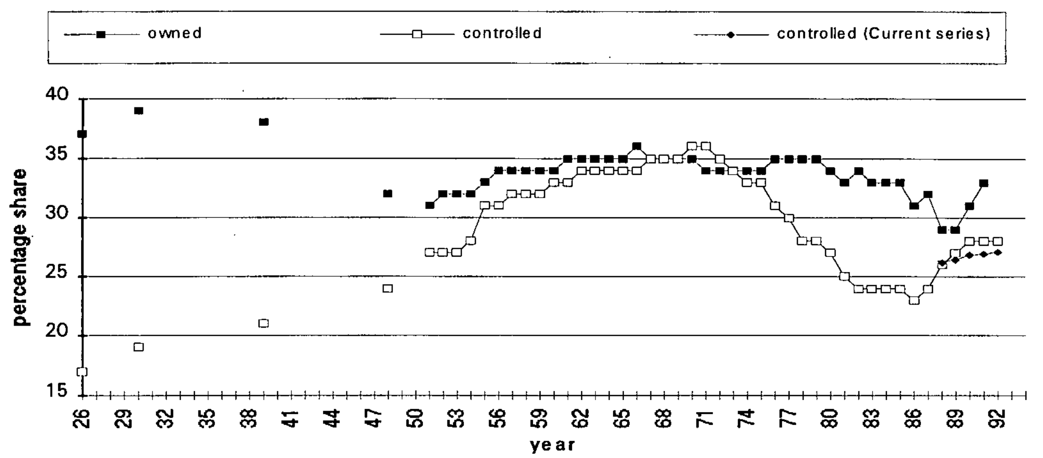
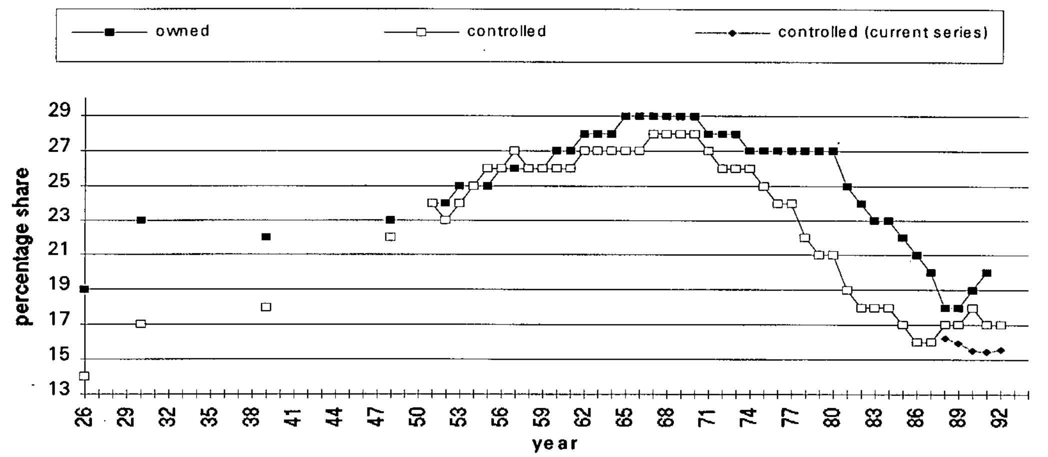


Figure 4: US ownership and control of capital employed in non-financial industries, 1926-1992 (percentage share)



As can be seen, foreign *ownership* of capital employed has followed a little different pattern than that for *control* of capital employed. From a level of 37% in 1926 the former rose to an all-time peak of 39% in 1930, declined to 31% in 1951, rose to a fairly stable level in the mid 30s throughout the 1960s and 1970s, (with a post war high of 36% in 1966), and then generally declined to 29% in 1989, after which it jumped up again to 33% in 1991 (the data for 1992 is not available).

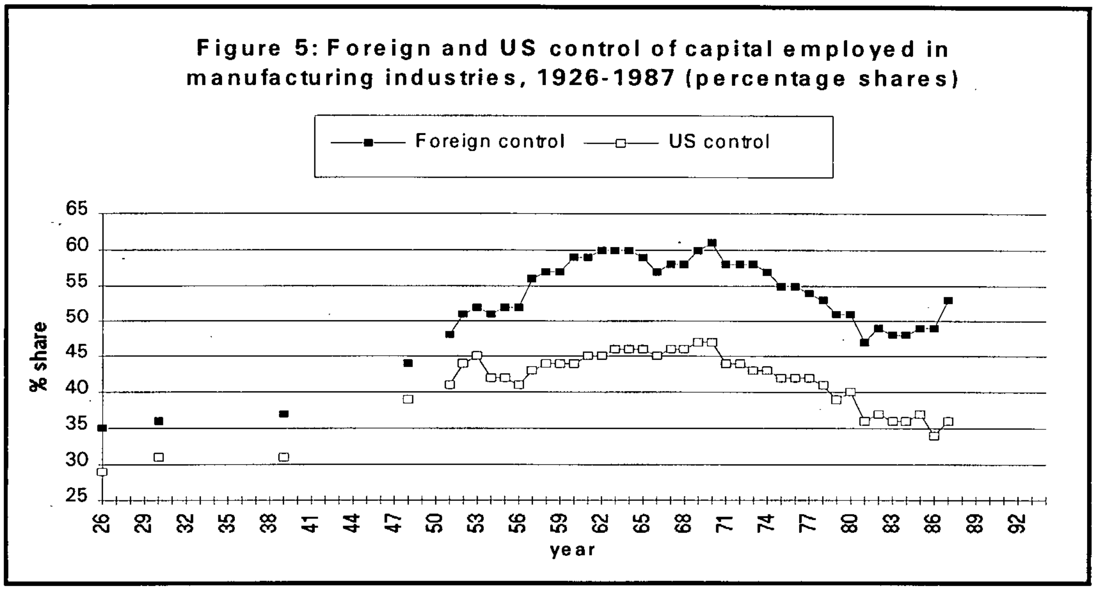
The pattern of U.S. ownership of capital employed is a rising trend from 19% in 1926 to 29% between 1965 to 1970, and then a falling trend to 18% in 1988-89, followed by a rise to 20% by 1991. According to this data, the 1991 share of U.S. ownership of capital employed in Canada is *lower* than it was for the whole period *before* 1988, except for the first year measured, 1926.

However, data on ownership of capital employed is probably less relevant for our purposes than that for *control* of capital employed. Control is a more accurate index of actual economic influence. For example, the higher values of foreign ownership in the earlier period of this series reflect the larger proportion of portfolio capital from the UK compared with US direct investment typical of that era. In 1991 the foreign controlled share of total capital employed was still less than that of capital owned (28% vs. 33%). This is largely due to the significant foreign holdings in bonds (liabilities) of the various provincial Hydros, where control (voting equity) remains in Canadian hands. [89]

Turning to control of capital employed, then, we see that *foreign* control generally rose from 17% in 1926 to 36% in 1970-71, and then declined to 23% in 1986 before rising again to 28% in 1992. Similarly, *U.S.* control of capital employed rose from 14% in 1926 to 28% in 1967-70, declined to 16% in 1986-87 and ended up at 17% in 1992. Again, it is worth noting that, according to this series, even with the recent increases, the level of U.S. control of capital employed in non-financial industries is *lower* than it has been since before WW2.

Manufacturing industries

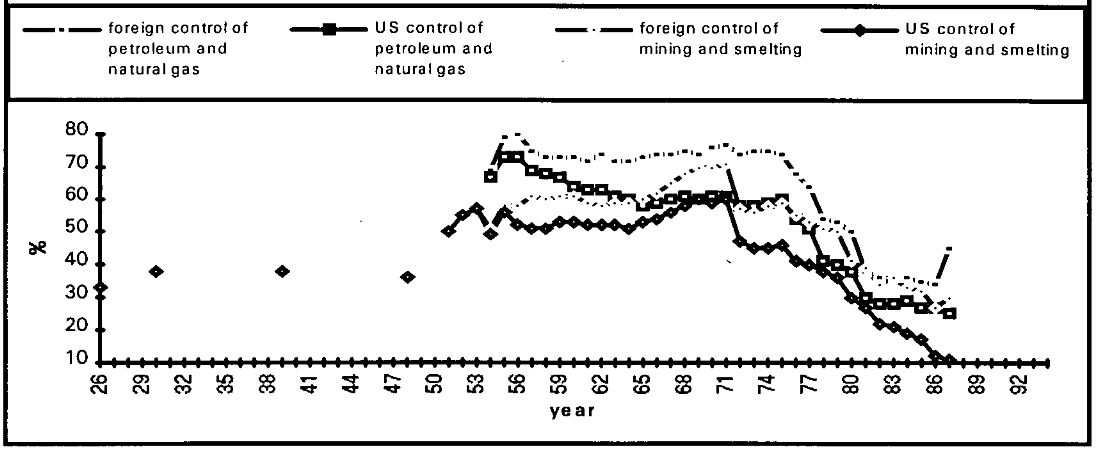
Figure 5 details the foreign and US control of capital employed in the manufacturing sector from 1926 to 1987. The data and sources for this figure may be found in Table 3 in the Appendix.



The patterns for manufacturing are generally similar to those above for all non-financial industries, although the absolute levels of control are significantly higher. *U.S.* control of manufacturing capital employed rose from 29% in 1926 to 31% in 1939, and then to a peak of 47% in 1970-71, before generally declining to 34% in 1986, followed by a rise to 36% in 1987.

Figure 6 below also illustrates that the trends in foreign control of capital employed in petroleum and natural gas and mining and smelting industries follow a similar pattern of significant decline from the early 1970s to the mid 1980s. The data and sources for this figure are in Table 3 in the Appendix.

Figure 6: Foreign and US control of capital employed in petroleum and natural gas, and mining and smelting industries, 1926-1992 (percentage shares)



Unfortunately the industry by industry data after 1987 is not yet available. However, Statistics Canada does note in the discussion section for this source that from 1988 to 1991, foreign control of capital employed increased by 16% in wood and paper, 7% in metallic minerals and metal products, 5% in chemicals, and 3% in consumer goods and services. Decreases took place in food, beverage and tobacco (9%), and in electrical and electronic products (6%) (Ibid., 34; note these are percentage changes, not percentage point changes). It does not detail the separate figures for *U.S.* control of various industries.

3.1.2.1 Summary of general trends

The general pattern in this long-term series in terms of foreign and US control of capital employed in non-financial industries is fairly clear. It rises from the lowest point recorded in 1926 to a peak in about 1970, and then declines quite sharply until the mid 1980s. After this point, it stabilizes or rises moderately to 1992.

While the series indicates the absolute levels of recent foreign and US control are lower than any period since before WW2, given the qualifications on such comparisons over long periods of time this significant finding should also be treated with caution. The sector in which the most complete and accurate data collected is undoubtedly manufacturing industries (which follow the same general pattern), but even here there have been significant changes in both industrial organization in these industries and in the methodology employed for these estimates.

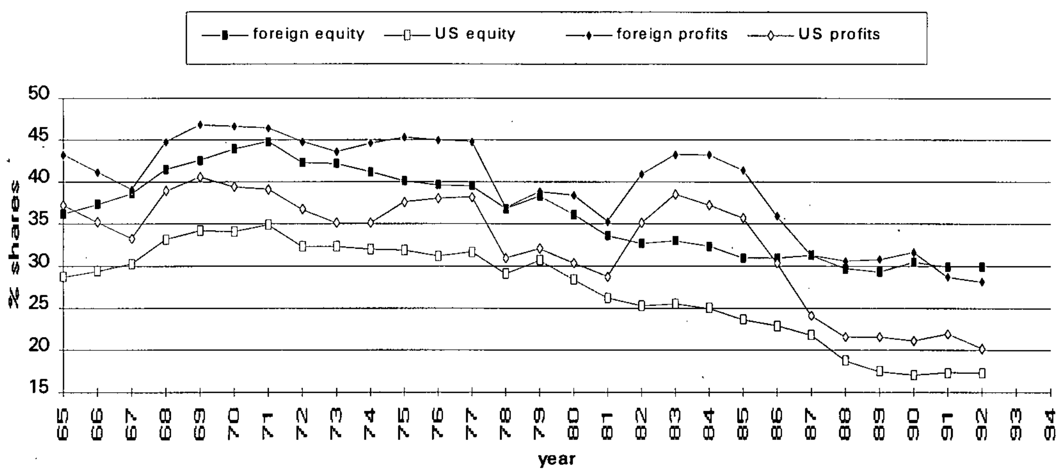
At the same time what is unmistakable in this data is the significant decline in foreign and US control from the post war peak in 1970 to the low in 1986 (as Kellogg (1990) and other have previously noted). Over this period of only 16 years, foreign control decreased by 36% and US control by a very significant 97% (28% for US control of manufacturing). This declining trend then appears to halt and at least partially reverse after 1986 (with the recovery in US control to 1992 more modest than for all foreign control).

3.1.3 Foreign and US control of assets and revenue, 1965 - 1992

This section will discuss the main estimates of foreign control of the Canadian economy which are expressly produced by Statistics Canada for the purpose of evaluating the extent and trends in foreign influence of the economy.

Of the four measures provided, only the foreign and US control of *assets* and *operating revenue* will be reviewed in detail here. While general patterns for foreign and US control of *equity* and *profits* in the non-financial industries are essentially similar to those for assets and revenue, there are some differences. The percentage level of foreign and US equity is higher, which is likely due to the industrial concentration with larger and more capital intensive corporations. Profit shares also fluctuate considerably over the business cycle, and since this study was most concerned with the short period since 1986, this measure would have added little to this effort. As a result, these two series will not be examined further, though they are displayed in Figure 7 below, with the data and sources to be found in Table 4 in the Appendix.

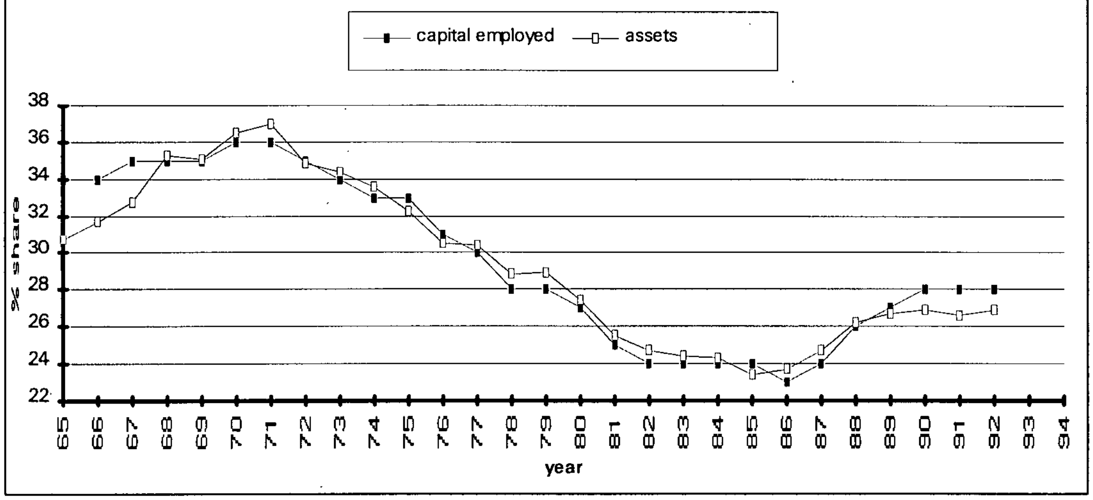
Figure 7: Foreign and US control of equity and profits, nonfinancial industries, 1965-199 (percentage shares)



3.1.3.1 Comparison of capital employed and assets measures

While these estimates are the best available estimates of the level of foreign control of the economy, they have only been collected since 1965. Before describing this series, then, it is worth comparing the level and trends in foreign control in this series with the longer series for *capital employed* described above. Chart 3.3 below displays foreign control of capital employed and that for assets since 1965. The source of data for this chart is Tables 2 and 6 in the Appendix.

Figure 8: Comparison of foreign control of capital employed and of assets, non-financial industries, 1965-1992 (percentage shares)



This figure demonstrates that the two series follow similar patterns, although there is some short-term variation, especially in the first years, (which may be due to early changes in its methodology). It does not appear that the methodological differences between these series are significant factors in the resulting general trends (see the description for the latter below), so that it seems reasonable to accept that the historical context for the post 1965 series for assets and revenue can be provided by the trends in the capital employed series.

3.1.3.2 Introduction to the data on foreign control by assets and revenue

While Statistics Canada *assigns* control of each corporation on the basis of the ownership of capital employed, the preferred *measures* of foreign influence are in terms of the share of the value of total assets, equity, operating revenue and profits by these corporations. These measures provide more relevant and commonly understood indications of economic power than does capital employed.

Significant changes in methodology and coverage were introduced to this series for 1983 and then for 1988 onwards, and the latter period was not available to the studies cited in Chapter 2. From the point of view of this effort, the most important change is that for the first time data on foreign control of the *financial industries* is made available back to 1983, and when these are combined with the non-financial industries, for the (corporate) *economy as a whole.* This represents a significant improvement in the approach to foreign influence in the economy.

In addition, other changes were made to improve the accuracy of the estimates of foreign control of the non-financial industries. Statistics Canada provides one year in which the two series overlap, so that it is still reasonably possible to follow the trends from the previous period. In the charts below, this is done by projecting the ratio of the two 1988 values on the new, 1988 - 1992 series to obtain figures comparable to those in the pre-1988 series (for this calculation see Table 5 in the Appendix). Before discussing these results, however, the following sections describe in some detail the methodology behind Statistics Canada estimates of foreign control of assets and revenue.

Data source

Ownership and control information is obtained by Statistics Canada primarily from the returns filed by corporations under the Corporations and Labour Unions Returns Act, first passed in 1962 and amended in 1981. The Act provides for annual reports to Parliament on foreign control of the economy, which are widely referred to as the CALURA Reports or CALURAs. For convenience sake, this name will be used here in citations, along with the report year, followed by the year of publication. (E.g. CALURA 1986 (1991) refers to the report for 1986 published in 1991; for the complete citations see the bibliography.)

Where necessary and available, additional information to that in the returns is also sought by Statistics Canada from domestic and international business publications (e.g. Financial Post, Moody's, Jane's, Who Owns Whom). The 1989-1992 data also employs sampling methods for small and medium corporations.

Coverage of the economy

The CALURA legislation applies to all corporations[90] in Canada whose gross revenue was more than $15 million, had assets over $10 million (including affiliates), or which have long term debt or equity owed directly or indirectly to non-residents with a book value greater than $200,000. Prior to changes in 1981, the limits were $500,000. in revenue and $250,000. in assets. According to Statistics Canada the $200,00 provision, which was added in 1981, "allows virtually complete identification of all foreign-controlled corporations" (CALURA 1983 (1986), p. 105). [91] CALURA estimates include government business activity (e.g. Crown corporations) when it is judged to be of a "commercial nature similar in market orientation to private business enterprise" (Ibid.).

Instead of the previous, census-type coverage of almost every corporation in Canada, the 1989 - 1992 CALURA utilizes data from the Quarterly Financial Survey for large corporations (assets over $25 million or revenue over $100 million); mail sampling methods for medium sized corporations (assets between $10 and $25 million or revenue between $25 and $100 million); and various statistical techniques to estimate the financial data for the small corporations group. While this method introduces sampling errors for small and medium corporations, Statistics Canada states their impact is minimal due to the size of the groups affected (CALURA 1989-92 (1993, 71). [92]

The 1989-92 data is also collected on the basis of *enterprises* rather than corporations. (An enterprise is a group of corporations under common control; a corporation without any affiliates is a single corporation enterprise.) Because the financial information collected on this basis is a consolidation rather than aggregation of financial data of related corporations it reduces the amount of double counting, particularly of the value of assets. The new series' industrial classification is also based on the 'Company' rather than the 'Establishment' (which changes industry groupings to 'product' or market from that of 'main activity'.)

Another significant change is that the 1988-1992 CALURA is also restricted to 'booked-in-Canada' business, i.e. it excludes operations *outside* Canada. This had little impact on non-financial industries but did have a significant effect on the financial industries, which will be referred to below. Two other changes made in 1988, and in this case carried back to 1983 were to transfer the real estate sector from financial to non-financial industries (as result of the industrial classification change referred to above)[93] and to remove altogether the large 'investment and holding company industry' (as its operations largely represented 'double counting of the activity of other corporations). [94]

It is worth noting that while they offer very complete coverage of the corporate economy in Canada, in terms of *all* economic wealth, CALURA corporations only represent about half the measured total in the country. As Statistics Canada notes, in the main economic sectors that are excluded (farming, unincorporated business and personal property), ownership is overwhelming Canadian.

According to estimates by Grabb, in 1985 private sector business owned 44% of total assets in Canada, with another 8% owned by government financial institutions and non-financial enterprises (Grabb, 1992, 86). This is roughly the portion of the economy covered by the CALURA corporations, which account for three quarters of all companies operating in Canada and 85% of total business income (CALURA 1985 (1987), 1). Grabb estimates that another 36% of total assets in the country are held by persons and unincorporated businesses (the remaining 12% is accounted for by government-owned assets). Taking into account that the (mostly small) companies and business income excluded by CALURA are overwhelmingly Canadian owned, the CALURA share of total measured economic assets would be below 50%. Thus the CALURA rates of foreign control may actually be said to be twice the real rate for *all* economic activity in the country.

However, the CALURA corporations include all the most important and strategic sectors of the economy; those which essentially influence the overall direction. From the point of view of concern with issues of national sovereignty and control they provide a more relevant basis than does the whole economy. However, this elaboration of wealth ownership in Canada does show that the basis for deriving estimates of complex issues like 'foreign control' is not a simple question, and that various estimates must be closely scrutinized in terms of the purpose for which they are used.

Designating Ownership and Control

Control of a a company is defined by Statistics Canada as "the potential to make the strategic decisions of the business" (CALURA 1989-1992 (1993), 68). This is generally viewed as the ability to select a majority of the board of directors, which in turn is usually based on the ownership of the voting equity. While the potential control may not actually be directly exercised (and the firm in practice act quite autonomously), Statistics Canada properly assumes all potential control *is* actually exercised.

In most cases, control is straightforwardly based on one company owning more than 50% of the voting shares of another (majority control).[95] However, it is well established in business literature that effective control can be based on less than a voting majority, for example, by owning the single largest block of shares. These other means of control result in what Statistics Canada refers to as assigned control.

The main example of assigned control is when an minority shareholder in a corporation owns more than 33% of the voting equity in the corporation and that share block is larger than the next two combined. This benchmark is higher than that sometimes employed by some business and stock exchange researchers, who judge that in cases of widely dispersed share holding a position as low as 5% may permit effective control.

Where the control through equity ownership is ambiguous, Statistics Canada also uses other rules for assigning ownership. If more than 50% of directors are also directors of a trust or an estate or are members of a related group, the corporation is deemed to be effectively controlled by the trust, estate or related group. If more than 50% of the directors are also directors of another corporation and there is significant voting ownership relationship between these corporations, its control is also assigned to the other corporation. Finally, if control is publicly acknowledged by the corporation, this acknowledgment is considered sufficient to assign effective control. Statistics Canada does not attempt to evaluate control on certain other bases that it notes may exist, such as franchises, marketing arrangements and sales contracts.

The following examples illustrate indirect control of corporations. If corporation A owns 60% of B who in turn owns 60% of C, then A controls C. If A controls both B and C, and they in turn control D and E, and these last two jointly control F, then A controls all of B, C, D, E, and F. An example of assigned control is that where a corporation A owns 45% of B, of which C and D each also own 20% and E through Z each own very small shares, control of B would be assigned to A. (Statistics Canada, 1993b)

Designating nationality of ownership and control

In most cases of foreign control, the *country* of control or nationality is that of the residence of the ultimate foreign parent corporation. (Again note that Statistics Canada groups related corporations into enterprises, [96] and each subsidiary in a global enterprise is assigned the same country of control as its parent. In other words, the minority or non-controlling assets, revenue, etc. of a corporation are assigned to the *controlling* owner.)

The following examples illustrate Statistics Canada's criteria for designating *nationality* of control. If a U.S. based parent corporation A owns 70% of company B in Canada who in turn owns 30% of C, and other U.S. residents also own 21% of C, it will be assigned U.S. control.

Similarly, if corporation A was 40% owned by Canadian residents, and the remaining 60% equally between Italy, Germany and Belgium, even though Canada provides the largest single nationality of shareholders, assigned control would be *foreign* (and, as will be seen in the paragraph below, German).

Statistics Canada also recognizes that a number of tax haven countries exist (Bermuda, Bahamas, Panama, Netherlands Antilles and Cayman Islands), and rather than assign control to these countries it leaves it as "foreign unspecified" (Ibid, xxv).

Control of a company whose voting rights are owned equally by Canadian and foreign-controlled corporations is assigned to the foreign corporation. If two foreign-controlled corporations each own equal shares in a Canadian resident company, it is assigned to the foreign country in order of preference of that country's aggregate level of foreign direct investment (i.e. the U.S. takes precedence over, Britain, who takes it over Japan, Germany, Netherlands, France, New Zealand, Switzerland, Bermuda, Australia, Hong Kong, Sweden, etc., to list the top 12 foreign investors in Canada. [97]

Minority interests

As can be seen from above, the issue of estimating foreign control of an economy can be quite complicated. In particular, the question of how to allocate the control of minority holdings by nationality is important, and has been a frequent criticism by certain writers of the Statistics Canada data. However, some of these authors are factually wrong in their criticism, such as the recent claim by Grabb that CALURA estimates do *not* include foreign minority control. [98]

The first question is obviously the *extent* of minority control of corporations. While it does not offer recent data on this question, Statistics Canada reports that "the overall percentage of cases in which control has been assigned on the basis of minority control has been relatively low" (CALURA, 1986, p. 68). Indirect evidence is also offered by the relatively small difference between this series and that for capital employed despite the differences in their benchmarks for minority control. International surveys also confirm that relatively little foreign direct investment takes place through minority positions (see, e.g. Julius, 1990).

Another indication that Statistics Canada actually takes considerable pains to address issues of foreign minority control is offered by their description of efforts to go beyond the information directly obtained from the compulsory returns under the Act in identifying foreign ownership and control. [99]

For example, Statistics Canada reports that on the basis of information from international business publications on the ultimate foreign parent corporation it identified several expanded enterprise structures which spanned several countries. Sometimes this was one or two countries removed from the reported parent corporation (Statistics Canada (1993c), ix; xv). In addition, it reports that as a result of analysis of options, insider holdings, convertible shares and interlocking directorships several reported nominees were replaced by true owners, and information on certain family controlled corporations was also incorporated into estimates on enterprise control. Further, while the CALURA legislation does not require reporting names of individuals owning less than 10% of any share class, in a "select number of cases, where such ownership was significant, revealed a larger enterprise structure or determined the control of a corporation" this data was obtained and integrated into the ownership/control designations (Ibid., ix; xv).

Another point on the question of the extent of foreign minority control is the evidence that most foreign investors prefer total or majority control of foreign subsidiaries. This is often argued by those who believe that foreign corporations locate in a country for strategic reasons (industrial organization) rather than for relatively passive investments (the cost of capital). [100] If this is true, then the Statistics Canada method of allocating the minority interests to the majority holder might actually underestimate the extent of *Canadian* participation in the economy as minority partners to foreign controlling interests.

Finally, dependency writers have long argued that it is direct and controlling foreign investment, rather than the portfolio form, that is of most concern (see Levitt (1970). If there is an undercounting of foreign influence as a result of minority ownership *without* control it should not be as significant as the nominal shares might otherwise suggest.

On balance, it does not seem likely that the issue of minority foreign holdings is very significant in terms of evaluating foreign influence in the Canadian economy. It is even possible that Statistics Canada estimates of national control of the economy 'under-represent' the domestic minority stake more than the foreign stake (if the former's rate of minority holdings is significantly greater than the latter's). Finally, as long as there are not large changes in the rate of minority foreign control and the same criteria are applied over time, this issue should not affect the general trends observed in the Statistics Canada estimates. [101]

Magnitude and Direction of the 1988 Changes

Since one of the main purposes of this study was to extend the previous examinations of foreign control to 1987 using the newly released data to 1992, it is important to separate the real economic trends from the *nominal* changes in the data series. Statistics Canada notes that most of the changes introduced in the Current series tend to lower the nominal level of foreign control. [102] While the change in percentage points in foreign or US control is quite small, it should be borne in mind these differences still represent tens and hundreds of billions of dollars, amounts well over the value of even the largest corporation in Canada. [103]

The data for future years may prove that the differences between these nominal levels of foreign control are not very significant. On the other hand, the recent trends (to be discussed below) include apparent reversals of those from previous decades, which would make it misleading not to incorporate this factor into our present analysis of foreign control. For this reason, in the figures and discussion on foreign control of assets and revenue below, the pre-1988 Historical series has been extended through to 1992 by applying the 1988 ratio between it and the new Current series for the years from 1989 to 1992. [104] The original data and calculations for this converted series are found in Table 5 in the Appendix.

The effect of the 1988 changes for the *non-financial* industries group is to *lower* nominal foreign control of assets and revenue. The Current series share of foreign assets is 0.9 percentage points lower, while that for operating revenue is 0.8 percentage points lower than the Historical series.[105] According to Statistics Canada the main factor here is the greater effect on Canadian companies of the consolidation of balance sheets in moving from the corporation to the enterprise reporting unit (Ibid).

For the *financial* industries the effect of the 1988 changes is to *raise* the nominal foreign asset and revenue share. The main reason for this is the exclusion of the foreign operations of the Canadian banks and insurance companies. Foreign control by assets in 1988 is 2.2 percentage points higher in the new series, and by revenue it is 3.8 percentage points higher. [106]

The net effect of these changes for the *all-industries* group in 1988 is to increase the foreign controlled share of assets by 0.6 percentage points (which corresponds to a drop in Canadian-controlled assets values of about $187.5 billion, and of total assets of $219.2 billion). However, in the case of revenue, the foreign share is slightly lowered in the new series, by 0.3 percentage points, which corresponds to a difference between the two series of $19.2 billion for Canadian revenue, and $29.7 billion in total revenue (calculated from Text Table 1.1 on p. 14 of Ibid.).

3.1.4 Non-financial industry trends

Figures 9 and 10 below illustrate the levels and trends in foreign and US control of assets and operating revenue in non-financial industries. The data and sources for these figures may be found in Table 6 in the Appendix.

3.1.4.1 Description

As can be seen, the trends here are generally similar to those already described above for capital employed. Foreign control of both assets and revenue rises to a peak in the early 1970s. and generally decline until the mid 1980s, after which a recovery occurs, although this latter trend is less obvious for US control.

Figure 9: Foreign and US control of assets, nonfinancial industries, 1965-1992 (percentage share)

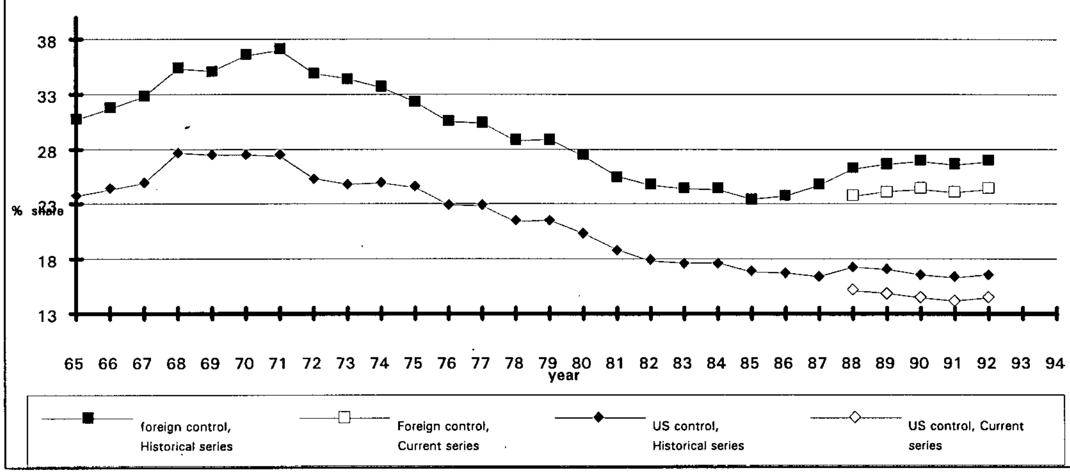
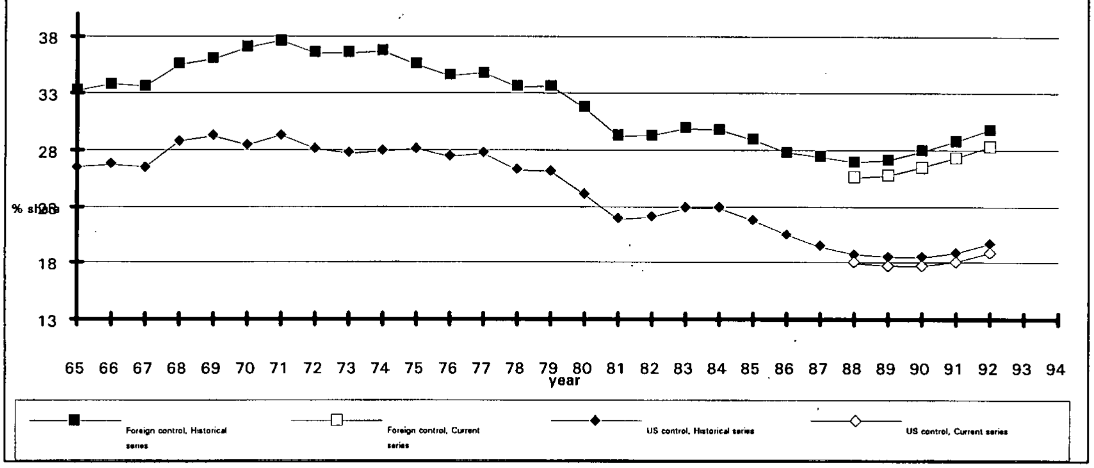


Figure 10: Foreign and US control of operating revenue, nonfinancial industries, 1965-1992 (percentage share)



In the recent period, the foreign controlled share by *assets* continued the modest rise since 1983, but the US share actually dropped (down 0.6 percentage points in 1992 compared with 1988).[107] In fact, the growth in non-US foreign assets meant that for the first time in two decades, the actual increase in foreign controlled assets exceeded that of Canadian controlled assets (Ibid., 37).

From the point of view of *operating revenue*, foreign control declined by 2.9 percentage points from 1983 to 1988, and most of this decline is accounted for by US corporations. Over 1989-92, foreign controlled revenue increased, but again, very little of the increase was due to US firms. Statistics Canada notes that private Canadian firms appeared to suffer most from the recession in this period as their revenue dropped 11.3% from 1989 to 1992, while the other components all experienced net growth in this period (Ibid., 38).

Looking in more detail at the sectors that make up these trends, the greatest declines in Canadian controlled revenues since 1988 occurred in construction and real estate, metallic minerals and metal products and wood products. The increase in foreign controlled revenue was largely attributable to gains in the food, energy, and electrical industries. (Ibid., 37). The largest foreign controlled asset share is 66%, in both chemicals and textiles, and lowest is 4.5% in transportation services.

In terms of the size of assets the largest sectors of Canadian controlled assets are in energy, and construction and real estate, with 25.8% and 19.7% respectively. The largest volume of foreign controlled assets is also in energy, with 20% of all foreign controlled assets in this sector (Ibid., 42).

3.1.4.2 Summary of trends

As noted by previous critics of the dependency approach (e.g. Resnick, 1989 and Kellogg, 1990) and in the section on capital employed above, there was a significant decline of foreign and US control of assets and revenue in *non-financial* industries from the early 1970s to the mid 1980s. Foreign control of assets in 1987 was 24.7%, or down to two-thirds of the level in 1971; US control of assets was 16.4%, or 60% of its 1970 level (calculated from Table 6 in the Appendix). While the extent of decline varies by industry, it is also significant that foreign and US control also declined in every major industry group over this period.

The data reviewed here demonstrates that this declining trend reversed somewhat after 1987 in the case of overall foreign control, but to a smaller extent in the case of *US* control. From 1987 to 1992, foreign control increased 8.8% to a 26.87 percentage share of total assets,[108] while US control of assets rose less than 1%, to a 16.56 percentage share (calculated from Table 9 in the Appendix). Most of the increase in foreign control is accounted for by European Economic Community countries (CALURA 1989-1992, 36). This change was broadly based across industry groups, but it also reflects a shift from the US to the EC and other countries in the machinery and equipment and transportation equipment industries (Ibid., 37).

3.1.5. Financial Industry trends

3.1.5.1 Notes on financial industries

The CALURA 1987 (1990) report provided estimates of the level of foreign control of the finance, real estate and insurance industry for 1983 onwards. These were the first official and authoritative estimates of foreign ownership in this traditionally important area of the Canadian economy, and permitted a view of the level of foreign ownership in all industries taken together. [109]

Statistics Canada does not state in its catalogue why the financial industries' data had not been published before, but part of the reason may be the problems associated with the nature of this sector's economic activity. Most of this sector is composed of financial intermediaries between borrowers and lenders, which results in double counting of their own assets and those in other sectors of the economy. It also means that, compared to most non financial industries, there is a large disparity and more volatile connection between assets and other measures like revenue.

Quite apart from these technical issues, however, it is also likely that the well known reluctance of the powerful banks, trusts and insurance firms to publish detailed information on their operations has played a role here, even if it may have been dressed up as a concern for confidentiality, given the small number of enterprises in these industries (see Hurtig (1991) on this point).

In CALURA's original definition of this sector, the deposit-accepting institutions (banks, trusts and credit unions) were grouped together with real estate operators and developers, insurance companies, holding and investment companies and other financial institutions. However, in the latest CALURA 1989-1992 industrial classification system, which was also been carried back to 1983, the large real estate group was transferred to *non financial* industries. [110]

In addition, the investment and holding company industry was removed altogether from the financial (and all industries) series to avoid the extensive double-counting it represented (its revenue is primarily dividends and capital gains from other companies). This last change is quite significant, since in 1988, for example, this industry had accounted for a almost a quarter of all financial industries' assets but over *half* of all profits. (CALURA, 1988, 32). [111]

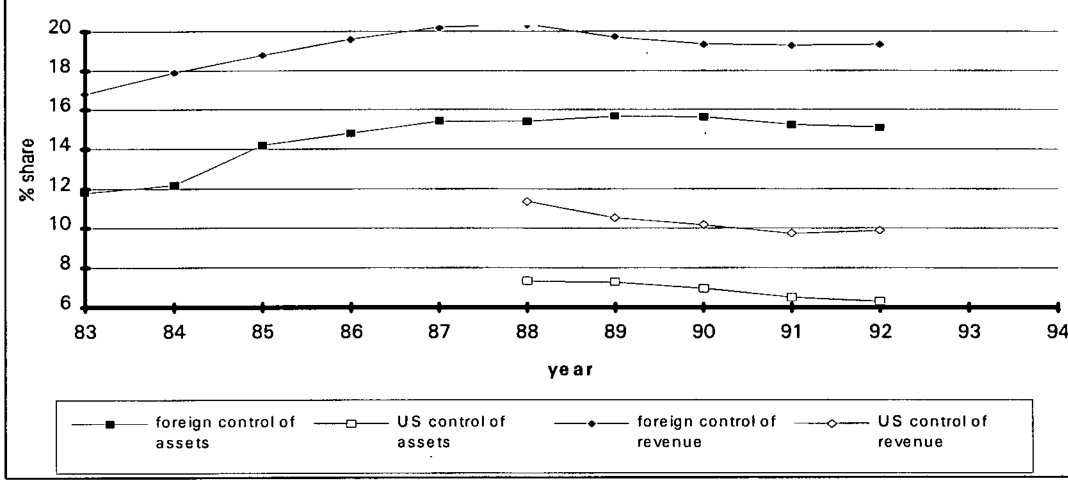
Another methodological change, introduced from 1988 onwards, is reported to have had the greatest proportional effect on the levels of foreign control of financial industries compared with the nonfinancials. This was the exclusion of *foreign* assets and revenues of Canadian-controlled corporations. In insurance for example, 30% of total revenue had come from foreign operations of Canadian companies (CALURA 1988-92, 17). [112]

By way of comparison between the financial and non financial industries, the 1992 value of assets in each were almost identical, while financial revenues were 15% of the nonfinancials' total (calculated from Tables 1.18 and 1.19 on pp. 93 and 94 in CALURA 1989-1992). Within the financial sector, almost three-quarters of the assets are accounted for by the deposit-accepting institutions, while their share of revenue is just under half the total. (Text Table 2.1 on p. 26 of CALURA 1989-1992).

3.1.5.2 Trends in foreign and US control

Figure 11 illustrates the trends in foreign and US control in the financial industries. As in the figures for the non-financial industries above, the ratio of the Historical to Current series value for 1988 has been projected onto the 1988-1992 data to extend the trends on the Historical series basis (the pre-1988 data also excludes the real estate industries). The data for this figure is found in Table 6 in the Appendix. Because it is very difficult to compensate for all the 1988 changes (e.g. industrial classification of the real estate sector) in the data provided for *US* controlled financial assets and revenues, these figures for 1983 to 1988 cannot be directly compared with those after 1988, so they are not displayed here.[113]

Figure 11: Foreign and US control of assets and revenues, financial industries, 1983-1992 (percentage share)



After rising over the first part of this period, foreign control of financial industries experienced a net decrease over 1988 to 1992, both in terms of assets and revenue. The US share of control of all financial industries declined from 7.33 % of assets to

6.31%, and the overall foreign share from 17.58% to 17.24% (Ibid., Table 1.19, p. 94).

Foreign banks had significantly increased their share of the market in Canada following the 1980 changes in the Bank Act up to 1988. Since then the foreign asset share has declined slightly from 12.49% to 12.44% and the US share from 2.25% to 1.82%. [114] Foreign control of insurance was stable over the whole period (though US control has declined; since 1988 from 17.43% to 15.75% in 1992, by assets) (Tables 1.12 and 1.14 on pp. 88 and 89 of CALURA 1989-1992).

The 1988-1992 data demonstrates a noticeable slip in the US share of all foreign control. In fact, in 1991 for the first time in the recent period, EC countries overtook the U.S. as the leading foreign investors in the finance and insurance industries, with 7.7% of the assets, compared to 6.3% for the US (CALURA 1988-92. p. 29-30).

3. 1. 6 All industry trends

3.1.6.1 Description

Figures 12 and 13 below illustrate the trends in foreign and US control of all industries, again with the 1988-1992 Current series data converted to the Historical series basis. The data and sources for these figures are found in Table 6 in the Appendix. Again, because data for the US control over 1983-1987 is presented on a different basis than that for 1988-1992, the former period has been excluded in Figure 13.

Figure 12: Foreign controll of assets and revenues, all industries, 1983-1992 (percentage share)

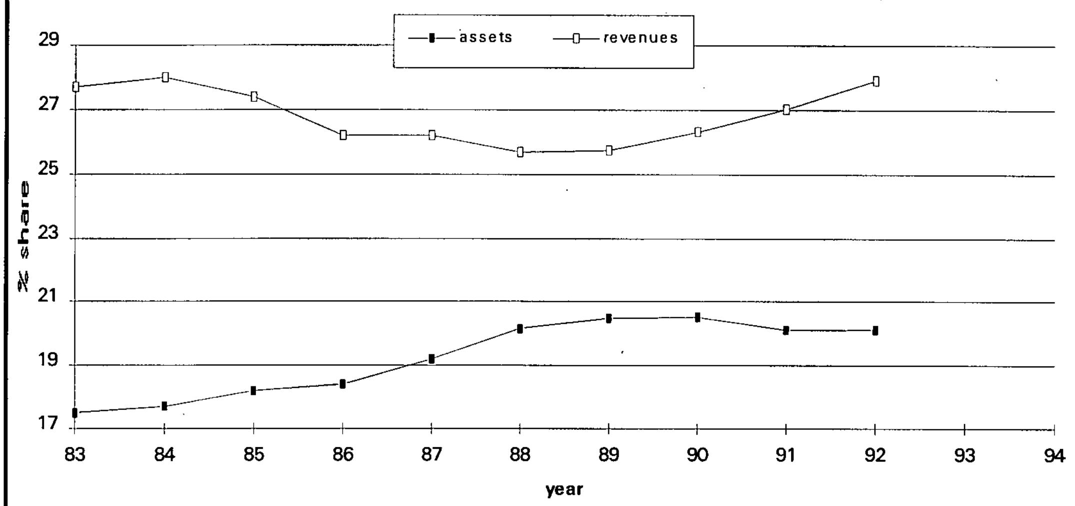
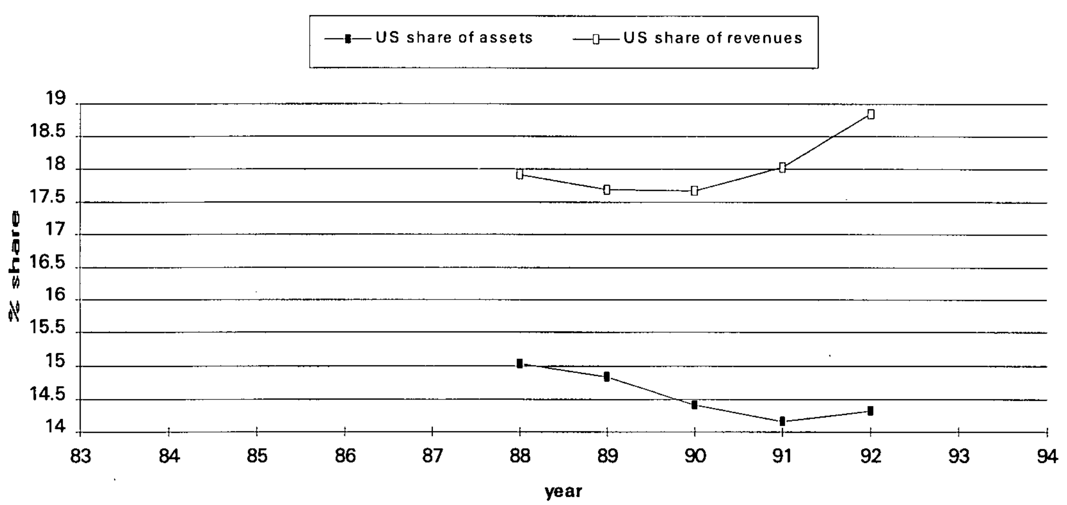


Figure 13: US control of assets and revenues, all industries, 1988-1992 (percentage share)



When we put together the two main sectors of the corporate economy for the first time a more balanced picture of foreign and US control of the Canadian economy emerges. Looking at the major trends since the first available year of this data in 1983, we see that the overall pattern for assets and revenue moves in opposite directions over this period. This seemingly paradoxical result reflects the differences in the economic character of the two sectors, combined with the different trends in foreign control. The decline in foreign control of assets is the result of the relatively large asset base of finance industries as well as the actual trends in foreign control in that sector.

Foreign control by revenue declines into the mid-late 1980s and then rises again to 1992, while by assets it rises and then dips slightly in the last couple of years. Overall, the long term decline in foreign control of revenues reversed slightly, with foreign control by assets remaining more stable. However, as Statistics Canada notes, if the decline in Canadian revenues continues it will inevitably be reflected in a declining asset share as well.

Because the foreign control of the financial industries is lower than that in the non-financials, the absolute level of foreign control of all industries is lower than that for the non-financials, who have traditionally been the basis for consideration of foreign influence over the Canadian economy. The all industry rate of foreign control is 20.79% by assets and 27.65 by revenue; the same figures for non financial industries are 24.30% and 28.32% (Current series basis).

On the other hand, because the *U.S.* control of *financial* corporations has not been as great as that of other countries like the UK, the difference between the non financial and all industry rate here is not as great. The 1992 all industry rate by assets is 10.4% and by revenue 17.71%, while for the non financial industries alone it was 14.43% and 18.85% (Tables 1.18 and 1.19 on p. 93 and 94 of CALURA 1989-1992).

3.1.7 Major influences on recent trends in foreign control

As has been noted above, a number of measures show a halt and perhaps even modest reversal after the early 1980s in the previous decades' declining trend in foreign control of the Canadian economy. In order to better predict how the recent trends will develop in the years to come it is worth attempting to separate out various elements of the recent increases in foreign control. This task is made a little more difficult by the 1988 discontinuity in the detailed, industry-by-industry data available, but there are several points that do emerge.

The first rough observation is that while foreign control of non-financial industries did not begin to rise until 1987, the increase in foreign control of *financial* industries (which is widely attributed to the 1980 changes in the Bank Act) began more than 5 years earlier. To put it another way, if the increases until 1988 in foreign control of assets attributable to the Bank Act changes had not occurred, the reversal of the overall long term downward trend in foreign control of all assets would be rather more modest.

3.1.7.1 The recession

In their own discussion of the basis for the recent trends Statistics Canada focuses attention on the effects of the recession on one hand, and foreign participation in the big wave of mergers and acquisitions during these years on the other.

According to Statistics Canada, the recession hit private Canadian corporations harder than foreign firms (mainly because of their industrial concentration), thus contributing to an increased share of foreign control. While foreign firms posted a rise of 1.9% in revenues from 1989 to 1992, Canadian controlled corporation revenues actually fell 8.7%, mostly in the private sector.

This disproportionate effect of recessions on Canadian firms is apparently not a new phenomena, as Statistics Canada notes a similar pattern occurred in the early 1980s, when Canadian revenues were more depressed than foreign, while over the recovery period the respective growth rates were reversed. The relatively more stable pattern of assets was also observed in the 1981-1982 recession (CALURA 1988-92 (1993), 16).

This pattern would suggest that the increasing trend in foreign control by revenue since 1988 may be moderated by the effects of any economic upswing in the years after 1992. On the other hand, if the recovery is not vigorous enough, a prolonged period of lagging revenues will eventually be manifested as erosion in the share of Canadian controlled assets. [115]

3.1.7.2 Mergers and acquisitions

At the time of the last major merger wave (approximately 1987 to 1991), dependency-inspired concerns on foreign takeover of the economy were very widely expressed. Often these takeovers were cited in concerns that Canada was being swallowed up under the Canada-US Free Trade Agreement, despite the fact that similar mergers and acquisitions were sweeping the US (including aggressive campaigns there by Canadian corporations like Campeau Corporation).

A useful article in this connection by Statistics Canada staff expands on the comments in the CALURA 1989-1992 catalogue regarding the effect of the merger wave on foreign control of the economy (McMechan, J., J. Lothian and J. Farnworth, 1992). It reports that over the period of this most recent merger wave from 1987 to 1991,[116] foreign controlled assets increased by $3.4 billion in net terms, as foreign interests took over $47.6 billion in assets of Canadian controlled companies, and Canadians took over $13.2 billion of foreign controlled assets. According to their calculations, the net impact of mergers and acquisitions over this period was to increase foreign control of total 1988 assets by 1.4 percentage points on the basis of assets, and 1.9 percentage points on the basis of revenue. [117]

This shift is the equivalent to a change in the control of the largest three auto firms in Canada. This is certainly a notable amount, but to put it into the larger picture, the authors of this article point out that the cumulative total of foreign takeovers in this period represented only 2.5% of 1988 total corporate assets totaling $2.4 trillion (Ibid., 3.4).

The largest takeover totals were in mining and manufacturing sectors. If no other factors played a role, takeovers in this period would have had the effect of increasing foreign control by assets in manufacturing by 3.5 percentage points, in mining by 9.0 percentage points, in wholesale trade by 3.6 percentage points, and for financial industries by .4 percentage points. The merger and acquisition effect on the level of foreign control was projected to be an increase of 1.4 percentage points (Ibid., 3.16); this compares with the *actual* measured change in foreign control of 0.9 percentage points (based on the Historical series data in Table 6 in the Appendix).

Of the Canadian corporations moving to foreign control in this period, the US accounted for almost one half the total, and EC countries for over one-quarter, based on assets. Canadian companies found two-thirds of their takeover targets in US controlled companies, and less than a fifth in EC controlled firms (calculated from Table 2, p. 3.5 in Ibid.). Japan played a minor role in mergers and acquisitions.

Interestingly, while in 1988 the US share of total foreign control (by revenue) was 67%, the US share of foreign takeovers was 36.5%. In other words, the US 'takeover propensity' was less than that of other major OECD countries. The US takeovers of

Canadian companies totaled $22.2 billion in assets, but when the $8.8 billion in Canadian takeovers of US firms is included, the net increase in US assets for the period was $13.5 billion ($5.4 billion in terms of revenue) (Ibid., 3.9). In one year, 1990, more US assets were actually taken over by Canadian firms than the reverse.

When the net effect of takeovers between US and other foreign controlled companies is considered, the outcome of the merger and acquisition wave was to lower the US share of the total foreign sector, as the latter took over $6.8 billion in US assets, compared with $2.0 billion in the reverse (Ibid., Table 5 on p. 3.11). Thus the merger and acquisition wave did not represent a consolidation of US control of the Canadian economy so much as the increase in penetration of the Canadian economy by other countries, chiefly the UK and France, at the expense of *both* US and Canadian control. [118]

3.1.8 Foreign control among the largest enterprises in Canada

To this point, we have only addressed the issue of foreign control in industry-wide terms. But just as a corporation can be controlled by a minority interest, a given sector of the economy may be effectively controlled by a minority of large corporations. It has long been recognized that foreign ownership is concentrated among large corporations, who may reasonably be said to exercise even more influence than is proportional to their size alone.

For example, in 1988, while large Canadian owned non-financial corporations (those with assets of more than $25 million) accounted for 63.3% of all Canadian-owned assets, the large foreign-owned corporations accounted for 90.5% of all foreign controlled assets (CALURA 1988, 84). In other words, the proportion of foreign controlled corporations who are defined as large is greater than the proportion for Canadian controlled corporations. While it would be useful to break this comparison down to account for differences in the average size of corporations and the rates of foreign control sector by sector, there does not seem to be any dispute regarding this general pattern.

However, it is also notable that among the *very largest* enterprises in Canada, Canadian control is more preponderant than for the economy as a whole. Part of this high degree of Canadian control is due to several major Canadian government-owned enterprises. Unfortunately, the breakdown of foreign control among a larger number than the 25 leading corporations is not available for 1989-1992, so we must rely on the earlier CALURA 1988 estimates based on the Historical series methodology which excludes large enterprises in the real estate industry.

3.1.8.1 Leading enterprises, non-financial industries

For all non-financial industry enterprises, the 1988 foreign share of control by assets is 26.2%. However, the foreign proportion among the leading 25 and 50 enterprises (ranked by revenue) is less - 18.8% and 25.9%, respectively. The foreign share then rises up to 33.5% for the top 1000 corporations (calculated from Table 2 on p. 128 in CALURA 1988). In other words, the rate of Canadian control is greatest among the 25 or 50 largest corporations, while foreign control is greater than average in the range from the top 75 enterprises downwards to somewhere below the top 1000 enterprises (to the point where we know that among smaller corporations the rate of Canadian control is again greater than average).[119]

3.1.8.2 Leading enterprises, all industries

As previously noted, the all-industries data reflects the relatively larger proportion of assets to revenue in the financial sectors relative to the non-financials. This has an important effect in the ranking of the leading enterprises in the economy as a whole. If ranked by revenue, the top 25 enterprises accounted for 39.9% of all corporate assets and 19.9% of all revenues in 1992. On this basis the foreign share of the top 25 enterprise assets was 11.5%, and their total revenue share was 33.7%. This is significantly less than the foreign share of the assets of all enterprises of 20.8% and of revenue at 27.6% (P. 49 and 14 of CALURA 1992). In other words, as above, Canadian control is greatest among the leading 25 enterprises in the whole economy.

Alternatively, if the top 25 enterprises are ranked by assets they account for 44.8% of all corporate assets and 16.1% of revenue in 1992. Of this total, the foreign share is only 8.3% by assets and 18% by revenue (calculated from Text Table 4.2 on p. 52 of CALURA 1989-1992). This comparison reflects most strongly the weight of the Canadian banks in the economy as a whole, with their very large asset base and high levels of Canadian control. [120]

3.1.9 Summary of the levels and trends in foreign and US control of the Canadian economy

The main points that have emerged in Part 1 above are as follows:

3.1.9.1 The all industry figures for foreign control are lower than previous estimates

The new data released by Statistics Canada has significantly increased our knowledge of the levels and trends in foreign economic control in both recent and previous periods. The most significant improvement is that the levels of foreign control for *all* *sectors* of the economy, rather than only non-financial industries, are now available since 1983. While the resulting picture of the level of foreign control is not dramatically different, it is significant that, rather than saying, for example, that foreigners control 27% of the economy, a figure of about 20% should be used, i.e. three-quarters the former number. [121] Similarly, while the US control of non-financial industry assets was 16.6%, its all industry share was 14.3%. In addition to the numerical difference in these measures, the qualitative or strategic influence of higher Canadian control in the financial sector vis-a-vis the overall economy must be considered. This is especially true given the evidence against dependency assumptions of there being separate and divided financial and industrial sectors of capital.

A minor but persistent suggestion by some previous writers is that Statistics Canada data on foreign control underestimate the real level by not sufficiently addressing the extent of foreign control through minority holdings. The review here of the methodology for these estimates suggests such claims are invalid.

3.1.9.2 Capital employed data provides insights into long term trends

The improved series since 1926 on control of capital employed in non-financial industries offers a useful longer term context for the main estimates of foreign control by assets, revenues, equity and profits available since 1965. This former series agrees with the latter for the 1965-1992 period; if we accept its accuracy for earlier years then we have to go back before WW2 to find levels of foreign control that are lower than those today, even after the increases since the mid 1980s. One implication of this finding is that there would seem to be less qualitative significance to the increase in foreign control immediately following World War 2 than has been suggested by some writers (see e.g. Buck (1970).

On a more technical level, it also seems that the capital employed data can be used to trace the trends in foreign and US control in place of the data for assets, revenue, equity and profits without any great loss in accuracy; this is important because the former seems to get published much more promptly than the latter.

3.1.9.3 Canadian corporations strongest among very largest enterprises

The data for 1989 to 1992 does not indicate any large increase in concentration of ownership in Canada, but it does confirm that Canadian enterprises most predominate among the *very largest* in the country. Outside of this circle of the largest 50 enterprises is a much larger circle of enterprises with rates of foreign control that are higher than the average for all corporations. The conventional wisdom of strong foreign control among large corporations in Canada should thus be refined to acknowledge that Canadian control is quite clear at the very heart of corporate power in this country. The hegemonic position of domestic capital in the "big five" chartered banks, the trust companies and the credit unions in Quebec only reinforces this point.

3.1.9.4 Long term decline in foreign control halts by mid 1980s

While this review re-iterates some previous writers' observations on the significant, even dramatic decline in total foreign control of the Canadian economy for the decade and a half after the early 1970s, the data made available for 1989 to 1992 suggests this decline has halted and even slightly reversed. At the same time, some recent erosion in Canadian control is undoubtedly due to the (presumably) short-term effects of the recent recession. The secular trends in foreign control suggest two propositions: that the 1970s -type dependency concerns were indeed a case of ascribing growing importance to a phenomenon of declining significance; and that the forces that ended the decline in foreign control preceded certain candidates with recent prominence like the Canada-US Free Trade Agreement. In any case, even if an upward trend in foreign control continues, the traditional dependency argument that a congenitally faint-hearted Canadian bourgeoisie and state are responsible for foreign economic penetration would seem to be refuted by the vigorous gains in domestic control achieved in the 1970s and early 1980s.

3.1.9.5 US share of foreign control continues to slip

It also seems quite significant to note that the US portion of foreign control not only declined more than the foreign total over 1970 to 1985, its position relative to Canadian control may even be continuing a downwards trend since then, or at least not reversing that trend. While US control of non-financial industry assets in 1992 is fractionally higher than at its lowest recorded point in 1987, the all industry level of US control is slightly lower than in 1988 as a result of a slip in US control of financial industries. This fact is all the more significant given the overwhelming importance that the dependency perspective has placed on the role of the US in the Canadian economy, including the early distinctions between US direct and British portfolio investment (e.g. Levitt, 1970); recent formulations of a continental military-industrial empire (e.g. Clark-Jones, 1987); and the current declarations of nationalist campaigners against 'Free Trade'.

Part 2 Foreign Direct Investment and Comparisons With Other Countries

This part of the chapter will examine two questions that round out the picture above of the relative economic power of Canadian capitalists. While the considerable extent of foreign penetration of the Canadian economy has been detailed, this portrayal remains rather one-sided without considering Canadian investments going the other way. It is also rather one-sided to evaluate the significance of a given level of foreign economic control in one country without comparing it with that in other, generally similar economies.

The main basis here for evaluating Canada's position in these regards is the relative scale of foreign direct investment (FDI). While estimates of foreign control on the basis of corporate assets and revenues for other countries will also be discussed below, these estimates are often not available or collected on a really comparable basis. Data on the value of inward and outward foreign direct investment (FDI), a fairly conventional category in most country's international balance of payments accounts is more generally available, and when related to the size of the host country's GDP (gross domestic product) or gross domestic capital formation, this measure offers a good general index of the relative extent of foreign ownership and control among national economies.

3.2.1 Canada's foreign direct and portfolio investment position

FDI is usually defined as the book value of debt and equity by foreign owners who hold more than 10% of the outstanding voting equity in an investment. If the holding is less than 10%, it is classified as portfolio investment. [122]

While FDI is our main interest here, it is important to realize that as a proportion of total external assets and liabilities, this category holds a minority position in Canada's balance of payments accounts. In 1993 only 25% of Canada's total external liabilities (i.e. to foreigners) were in the form of direct investment, while 53% were portfolio investments, mostly Canadian bonds (the remainder falls into monetary reserves and other capital categories). On the other side, 42% of Canada's external assets in 1993 were composed of direct investments outside the country (Table 1, p. 48 - 49 of Statistics Canada (1994). [123]

Figure 14 below illustrates the long term trends in the ratio of Canada's total and FDI external assets to its external liabilities. [124] It shows that over the past three decades, the ratio of outward total investment has at least kept pace with inward total investments, while the ratio of outward FDI grew much more rapidly than inward FDI, namely from 18% in 1961 to 73 % in 1992. (FDI here is a stock, not flow figure, i.e. the net cumulative value of the investments, not just the additional amount for the current years.) The data and sources for this Figure are found in Table 7 in the Appendix.

Figure 14: Ratios of total and direct investment abroad to total and direct investment in Canada, 1926-1992

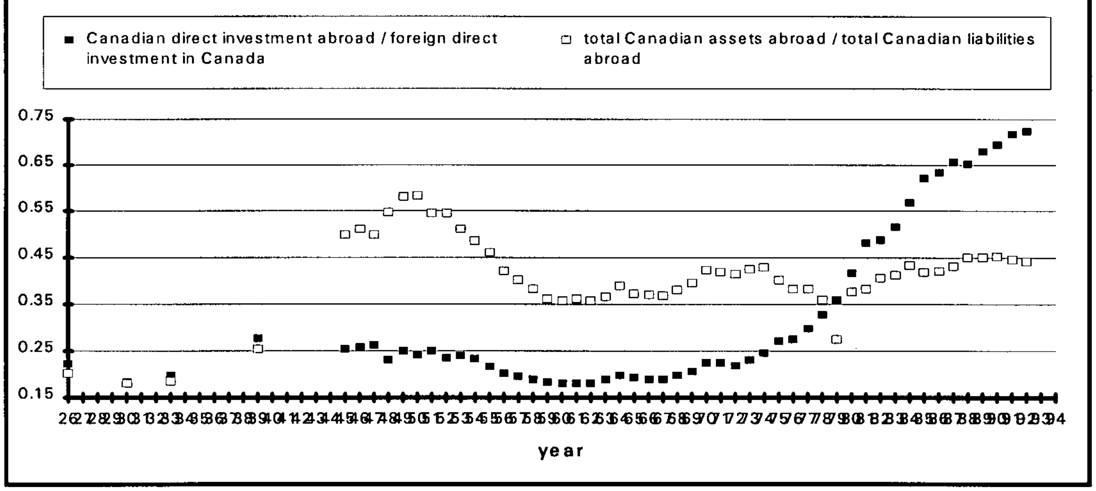
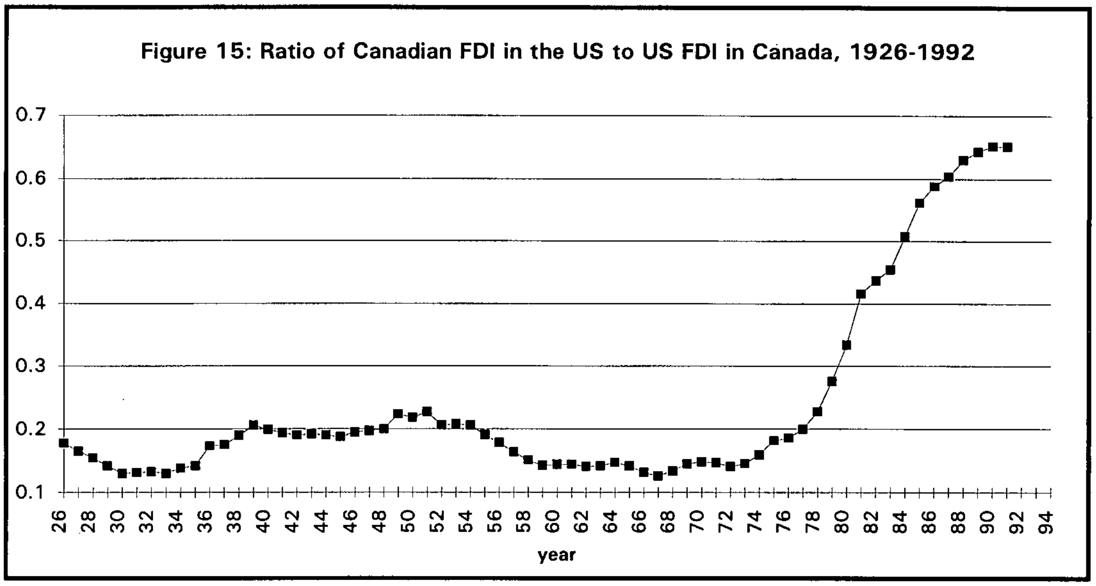
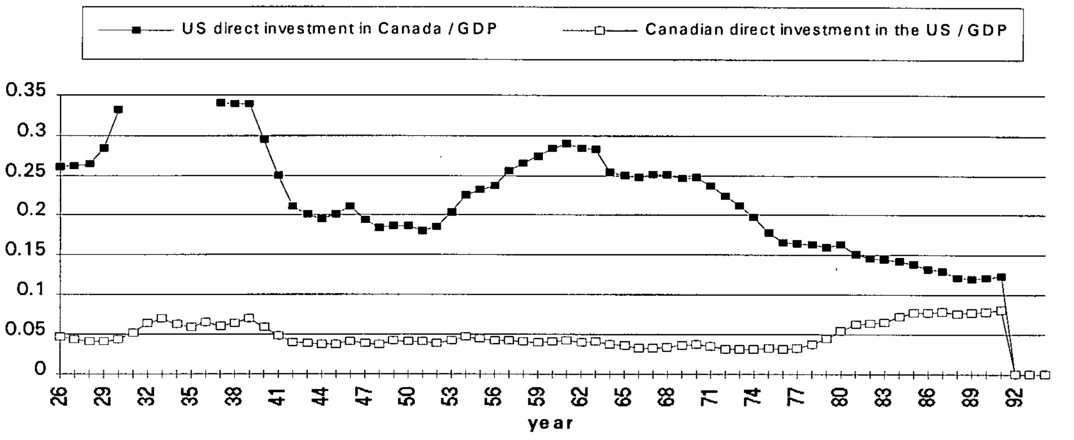


Figure 15 displays the ratio of Canadian direct investment in the US to the latter's direct investment in Canada. It is based on the data in Table 8 in the Appendix. As can be seen, while for most of this period Canadians have invested less than a fifth of the amount in the US that US residents have in Canada, this proportion has increased dramatically since the late 1960s, to almost two-thirds. Both countries have major investments in other parts of the world but they are each other's largest trading and investment partners, and considering that the US economy is more than 10 times the size of the Canadian, a two-thirds ratio in the volume of direct investment indicates a strong *relative* position by Canadian capital.



To include the effect of the differences in size of respective economies, in Figure 16 below the stock of Canadian and US direct investments in each other are expressed as ratios to the gross domestic product (GDP) in Canada. This figure also clearly shows the overall decline in the relative importance of US direct investment in Canada, and the rise in the relative scale of Canadian investment in the US. It is based on the data in Table 8 in the Appendix. [125]

Figure 16: Ratios of US direct investment in Canada and Canadian direct investment in the US to GDP in Canada. 1926-1992



Canadian direct investment abroad amounted to $99 billion at the end of 1992, or 41% of Canada's external assets. This proportion is up from less than 30% up to the mid 1970s. The US continues to be the largest recipient of Canadian FDI but its share has declined since the mid 1980s from 68% to 58%, while that for Europe has grown from 14% to 23% (Laliberte, 1992, 3.13).

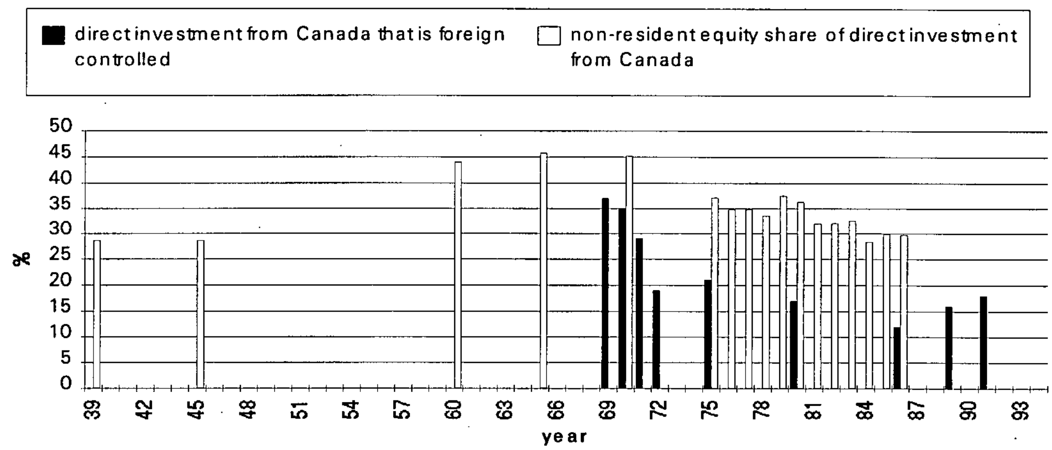
At the end of 1991, one quarter of the $94 billion in Canadian FDI was in the financial sector, with metallic minerals and metal products next with 13% of the total, though its share has been decreasing in recent years. Finally, there has been a large growth in personal investments abroad by Canadians in the form of mutual funds and similar instruments. At the end of 1992, Canadian residents held $46 billion of foreign stocks and bonds, plus $18 billion in deposits abroad, a sum which has quintupled since 1979 (Ibid).

3.2.2 The foreign portion of Canadian FDI

An important issue raised by several writers reviewed in Chapter 2 was the extent to which investments abroad that are officially recorded as Canadian are actually owned or controlled by foreign subsidiaries. The idea that Canada is a major conduit for US investments to third countries (the 'go-between' theory of Canadian imperialism) has a long history in the political economy literature (see e.g. Clement (1975). [126]

Until 1986, Statistics Canada segregated an estimate of the value of "non-resident equity in Canadian assets abroad" in Canada's total external liabilities. It then discontinued this series, in part because the new treatment of Canadian banks significantly altered the composition of this category, and also because, by 1987 up to 60% of this amount was actually invested through Canadian controlled corporations (which obviated the original purpose of a separate accounting premised on such investments being under *foreign* control) (Statistics Canada, 1990, p. 22).
Figure 17 presents two series of data that at least partly address the question here. The first is the ratio of the non-resident equity (referred to above) to other Canadian FDI. The second series is a Statistics Canada economist's tabulation of "value of Canadian direct investment abroad that is foreign controlled" (Chow, 1993). The data is found in Table 9 in the Appendix.

Figure 17: Foreign shares of Canadian foreign investment, 1939-1992



It would appear that foreigners have indeed held a significant though minority (and declining) share of Canada's international investments. Of these two measures, the tabulation of the foreign controlled share is the more relevant for our purposes. The pattern here is congruent with the trends in overall foreign control in the economy (decline from the early 1970s to the mid 1980s, followed by an upturn in the last few years).[127] Other countries' FDI also undoubtedly includes a foreign controlled portion (e.g. in individual EC countries, to gain access to the broader EC market). In the absence of comparable data it is difficult to really identify the significance of the extent of foreign control of (nominally) Canadian FDI.

3.2.3 Summary of significance of Canadian FDI

The main point that emerges from this data is the growing relative importance of Canadian FDI, whether i) in relation to other forms of foreign assets; ii) as compared with the size of the Canadian economy; or iii) in relation to foreign and US direct investment in Canada.

The pattern of Canadian outward foreign investments in terms of industry and geographical location is not very different than that of other major powers; as writers like Niosi (1985) and Kellogg (1991) have shown, this includes extensive exploitation of certain third world markets (Caribbean, Indonesia etc.) with world class multinational industrial corporations and banks.

The traditional picture of Canada is of an economy developed by foreign capital, which the dependency perspective translated into a semi-colonial state. The Statistics Canada economist quoted carefully suggests that this view needs to be modified: "Canada is no longer preponderantly a recipient of foreign capital, but also acts as a provider of foreign capital on the international scene" (Chow, 1993, 4.12). While it is occasionally argued that foreign economic control has squeezed Canadian capital out of the domestic market, forcing it abroad, it is difficult to sustain such views when it is easily shown that the greatest relative growth in Canadian FDI coincides with the repatriation of important sectors of the economy in the 1970s and first half of the 1980s. Finally, the significant scale and rapid growth of Canadian investment in the US must be taken into account. Seen through dependency glasses this may appear as the consolidation of a single continental economy, but a different lens reveals a smaller but aggressive competitor making gains in the larger rival's home turf.

3.2.4 Comparisons of foreign ownership of the Canadian economy with other OECD countries

3.2.4.1 Variations in FDI data

It has been noted several times above that different results can be obtained by using different measures of foreign ownership and control of the economy. This is even more true when making international comparisons.

For example in European countries, the most frequently cited measure of foreign economic influence is the proportion of employment in foreign owned firms, or the proportion of exports and imports accounted for by foreign owned firms. Neither of these measures are directly available for Canada. The most consistent information for international comparisons is probably the value of the stock of inward FDI, but even here the data available are not always collected or reported in a consistent fashion.

The most generally accepted definition of FDI is by the IMF (International Monetary Fund), which focuses on distinguishing FDI in terms of the *motive* of the foreign investor:

> "Direct investment refers to investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise." (Julius, 1990, 15)

The OECD (Organization of Economic Cooperation and Development) suggests that 10% ownership of the voting stock of an enterprise should be considered a "lasting interest". Most OECD countries, including Canada, follow this lead in their National Accounts, but France and the UK still employ a 20% rule, while Germany adheres to a 25% standard. In any case, it is important to note that a firm with the benchmark level of FDI is generally designated a foreign owned firm (FOF), even if the majority ownership might actually be national.

It might seem that overlooking the issue of who actually exercises control plus the different thresholds of investment required to qualify as FDI would make international comparisons completely impossible. However, various reports suggest that the proportion of FDI that represents minority holdings in most countries is not very large. [128] One recent authority on FDI states that most FDI is associated with shares in excess of 50% and survey evidence suggests that 100% ownership is still the norm for US and Japanese FDI. He suggests that the differences in the definition of FDI are annoying for researchers, but their significance for comparisons is actually small (Julius, 1990, 15).

In fact, reading through the explanatory notes in the OECD and UN quotations of national FDI data suggests that there may be *other* issues which complicate such efforts more than the often cited issue of minority control.

The first such complication is the different treatment of the substantial sums of retained earnings in FDI. Most countries include retained earnings, though Japan, for example, does not.[129] The second, major problem is the definition of FDI in terms of book value rather than market value data. The main effect here is the relative *underestimation* of the stock of FDI in those countries with the longest investment records, since the greater the time since the original investment took place, the larger the divergence is likely between the book value and the market value.

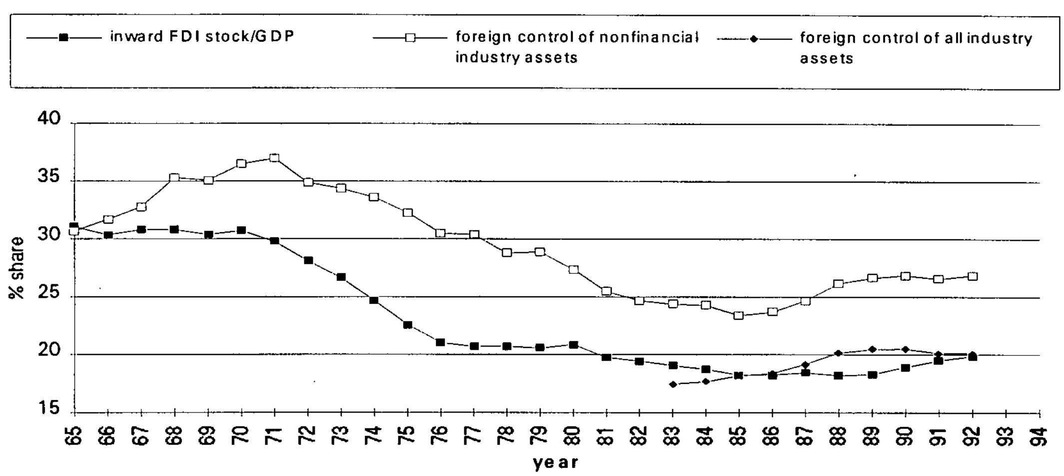
Another issue is that several countries, including France and Japan, do not publish data for FDI stocks, but only annual flows, so that the published stock figures are rather arbitrarily derived by simply cumulating the annual flows for a certain period of time. The definitions of various economic sectors often vary among countries, and differential rates of inflation and exchange rate movements can have major effects on international comparisons.[130] Despite these difficulties, FDI data is a relatively easily obtained and generally understood category, so that it is quite appropriate for our purpose here. In interpreting the results, however, these issues should not be ignored.

3.2.4.2 Comparison of FDI and CALURA estimates

An indication of the comparability of the FDI measure and the CALURA estimates for foreign control is that the value of the stock of inward FDI in Canada for 1990 is listed by the UN as Cdn. $125,339 million, while the value of equity in all industries controlled by foreign corporations by CALURA is reported to be $132,668, and $462, 225 by assets (United Nations, 1993, 136; CALURA, 1989-1992, 95).

To provide an indication of the relation of FDI to the Canadian economy and to the foreign share estimated by CALURA, (inward) FDI is expressed as a ratio of GDP in Figure 18 below. The data and sources for this figure are in Table 10 in the Appendix. As can be seen, the broad trends in these measures of foreign investment of the economy are similar, and coincidentally, the ratio of FDI to GDP and the foreign controlled share of all industry assets are almost identical in percentage terms.

Figure 18: Comparison of foreign share of assets and the ratio of inward FDI stock to GDP, 1965-1992



3.2.4.3 Comparisons of foreign control among OECD countries

This section will discuss a number of comparisons of foreign economic control in OECD countries. Before comparing Canada with other countries on the basis of FDI data, it is worth first reviewing the available estimates most equivalent to the CALURA data discussed above, i.e. the foreign controlled share of corporate assets and operating revenues in various sectors of the economy.

Figure 19 below presents a wide variety of such indicators tabulated from national sources by the United Nations for the G-7 countries (along with estimates taken directly from CALURA). Figure 20 does the same for Canada and the non-G-7 members of the OECD. Unfortunately the task of disentangling all the similarities and differences in the coverage, methodology and years in these estimates is very difficult, so these figures are simply listed here with the cautionary note that there are many qualifications regarding comparisons between countries.[131] Another graphic display is then offered by Figures 21 and 22, where somewhat arbitrarily selected estimates of foreign control in each country's secondary sector and total economy respectively are arranged in descending order.[132] Obviously the same caution regarding the comparability of these measures applies here as well.

Figure 19: Measures of foreign ownership/control, G-7 members of the OECD (percentage shares by foreign firms)

	Canada	Canada	France	Germany	Italy	Japan	UK	US
PRIMARY SECTOR								
mining and quarrying sales					18.7			
mining and quarrying assets	*41.9*	27.0						
mining and quarrying employment				1.3				9.4
petroleum sales			51.4					
petroleum assets							37.9	
petroleum employment				7.5				
SECONDARY SECTOR								
assets	*44.0*	52.0		20.0		2.2		13.2
sales	*48.1*		25.3	21.9	17.5*	2.6	20.1	11.4
employment			20.2	12.3		1.1	12.9	7.7
profits	*47.2*						15.7	5.9
exports			25.9					
value added							18.1	10.5
TERTIARY SECTOR								
distributive trade sales				15.3				
distributive trade assets						0.7	10.3	
finance and insurance assets	*15.4*							
finance and insurance employment				5.7				
finance and insurance value added								6.9
tertiary sector employment				3.7		0.1		
TOTAL ECONOMY								
assets	*20.8*	25.0		33.5		0.9		
sales	*25.4*	25.8		18.4		1.2		
profits		26.6					10.0	
employment				5.3		0.5		3.7
exports							38.0	
value added								4.3

Notes and sources:

Figures for Canada (italics) are the most comparable measures found in CALURA 1988 or CALURA 1989-1992, for the year 1988 (historical basis).

Other figures from country by country tabulations in United Nations (1993), World Investment Directory, Vol. 3 Developed Countries, New York.

Years vary by country and sector, usually between 1987 to 1990. Definitions of foreign ownership vary, from an FDI interest of at least 10%, to foreign "control" (Canada).

* This figure for Italy is an unweighted average of secondary sector industries reported in the UN source, since no sector wide figure is cited.

Figure 20: Measures of foreign ownership/control, Canada and non G-7 members of OECD (percentage shares by foreign firms)									
	Australia	Austria	Belgium	Canada	*(Canada)*	Denmark	Finland	Greece	Ireland
PRIMARY SECTOR									
mining and quarrying sales	42.9								
mining and quarrying assets				27.0	*41.9*				
mining and quarrying employment	36.5								
petroleum sales									
primary sector value added									
SECONDARY SECTOR									
secondary sector assets				52.0	*44.0*	11.6			
secondary sector sales	32.0				*48.1*	13.3	5.7	25.5	65.0
secondary sector employment	23.8	36.5	33.0			12.4	5.2	21.3	42.8
secondary sector profits					*47.2*	13.2			
secondary sector exports			43.6					18.5	
secondary sector value added	30.9								
TERTIARY SECTOR									
distributive trade sales						20.7	1.6		
distributive trade employment		16.0					1.7		
finance and insurance assets					*15.4*				
finance and insurance employment		62.0					0.6		
tertiary sector sales						17.3	9.6		
TOTAL ECONOMY									
total assets				25.0	*20.8*				
total sales			39.8	25.8	*25.4*				
total profits	22.6			26.6					
total employment		13.5	18.0						
total exports									

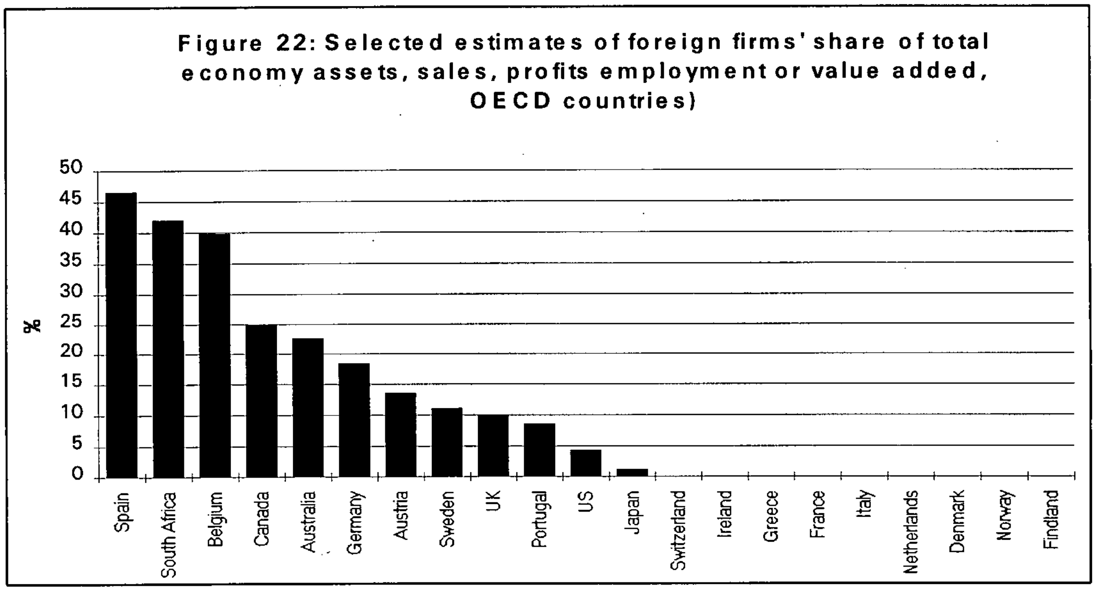
(Figure 20 continued next page)

Figure 20 (continued): Measures of foreign ownership/control, Canada and non G-7 members of OECD (percentage shares by foreign firms)

	Nether lands	New Zealand	Norway	Portugal	South Africa	Spain	Switzerla nd	Sweden	Turkey
PRIMARY SECTOR									
mining and quarrying assets		2.1				26.0			
mining and quarrying employment	30.0			18.6		17.0			
mining and quarrying sales				18.0		43.0		2.8	
petroleum sales					85.0	91.0		13.5	
SECONDARY SECTOR									
secondary sector assets								14.4	
secondary sector sales			12.6	22.1		74.6			
secondary sector employment	14.0		8.8	12.9		44.6			5.7
secondary sector profits		29.6							
secondary sector exports						55.1			
TERTIARY SECTOR									
distributive trade sales			13.0			42.0			
finance and insurance employment	8.0			12.5		93.0			
tertiary sector employment	4.0	23.3							
tertiary sector assets									
tertiary sector sales									
TOTAL ECONOMY									
total assets					42.0				
total sales									
total profits		28.9						11.1	
total employment				8.5				9.3	2.0
total exports				8.2		46.6			

Source: Table 1 in United Nations (1993), World Investment Directory, Vol. 3, Developed Countries, New York. See this source for detailed notes on coverage for each country's sector and measure definition.

Years vary by country and sector, usually between 1987 to 1990.



Discussion

The general observation that can be made from the Tables 19 to 22 above is that the recorded level of foreign ownership in Canada is indeed among the highest recorded in the OECD group, though it is certainly less than Spain, for example. According to these figures, the levels of foreign control are almost negligible in Japan; the US rates are noticeably below the EC-3 countries (Germany, UK and France); most other European countries follow; and then Canada is found in a range between the second rank European countries and the poorer nations like Spain, Portugal and Greece. Rates of foreign control in Australia and New Zealand appear to be quite comparable to Canada. There is a consensus among these indicators that even larger OECD countries exhibit significant levels of foreign ownership, especially in certain sectors, and it is quite possible to quote high rates like 51.4% for petroleum sales in France, 33.5% for total assets in Germany, or 38% for total exports in the UK, to pick some likely unrepresentative examples (the rate here for Germany seems especially exaggerated). A recent authority on foreign control in European countries summarizes the general rates of foreign control in the EC-3 countries as one-fifth of domestic sales in manufacturing and one-quarter of exports, and 15% of the total asset base (Julius, 1990, 46). [133]

In evaluating the significance of levels of foreign control it is worth considering the effect of the scale of the economy, as it seems obvious that there is generally an inverse relation between the size of economy (GDP) and the share of foreign control. Canada ranks seventh in GDP, so that its rates of foreign control are still higher than would be expected if the size of the economy was the only determining factor, but this consideration should at least slightly moderate exaggerated efforts which compare it with Japan or the US, as opposed to economies closer in size to Canada.

Another consideration arises out of the comparison that can be made between the significantly higher levels of foreign investment in European countries than in the US. About 30 to 40% of inward FDI stock in EC countries is from other EC countries, while 40 to 50% is from the US. If the EC was taken as a single unit for a 'regional' comparison with the US, the resulting levels of 'foreign' investment would drop from the 20% range to 12 or 14%. This is still higher than the US level about 10%, but not by much (Julius, 1990, 53-54). If the effect of 'natural' continental integration could be separated out (i.e. as against integration resulting from 'oppressive' domination of one country by another), the gap between Canada and other countries should also decline somewhat.

Finally it should be noted that many observers have demonstrated that FDI inflows in most OECD countries have increased much faster than trade or growth in general, and that there has been a significant rise in the interpenetration of each others markets in the last decade and half, though this trend moderates in recessionary periods (see, for example OECD, 1993, and Julius 1990). As we have seen above, foreign ownership in

Canada generally declined until about 1986, after which the pattern may be more in harmony with these larger trends. In other words, while foreign control in other OECD countries has been generally increasing, the general pattern in Canada has been the reverse for most of this period. It may be that part of the reason that the UN data for Canada above are higher than the CALURA estimates (e.g. 52% vs. 44% for secondary sector assets, and 25% vs. 21% for total assets) is that the former are older estimates, as well as the fact that it is not clear whether the UN tabulations for the total economy include the financial sector.

3.2.4.5 FDI comparisons

Because of the many definitions of foreign ownership and control, industrial divisions and the years of the data observation in the figures above, a single, general picture of foreign penetration like the ratio of FDI to gross capital formation or GDP is in many ways preferable. The definition of FDI also varies between countries, but there are clearer international standards against which to measure these various estimates than for other estimates of the share of 'foreign control'. Most importantly, the FDI measure addresses the economy as a whole rather than restricting the focus to a narrower and possibly unrepresentative range of industries. Figures 23 and 24 display OECD country's inward and outward FDI stock to GDP ratios in descending order, and Figure 25 provides a picture of their net FDI position. The data and sources for these figures are found in Table 11 in the Appendix.[134]

Figure 23: Ratios of inward FDI stock to GDP, OECD countries

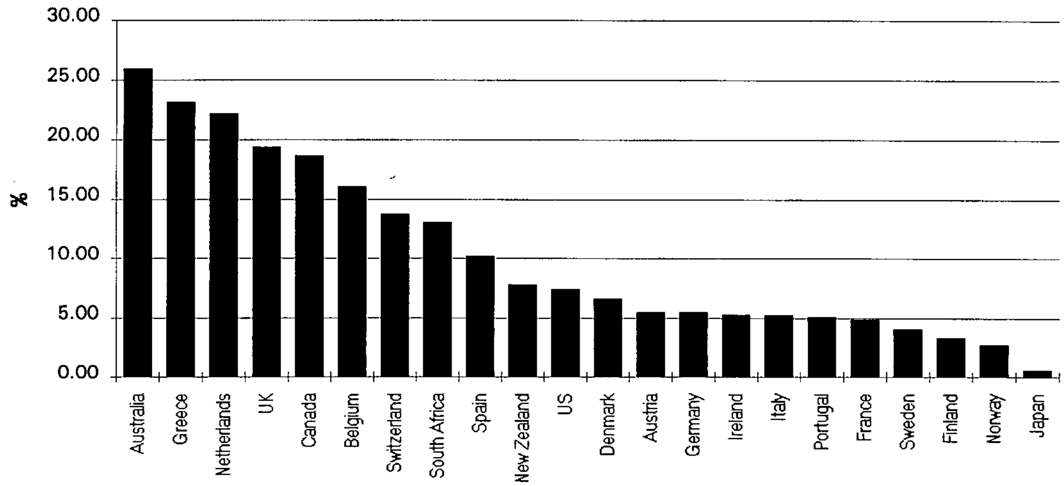
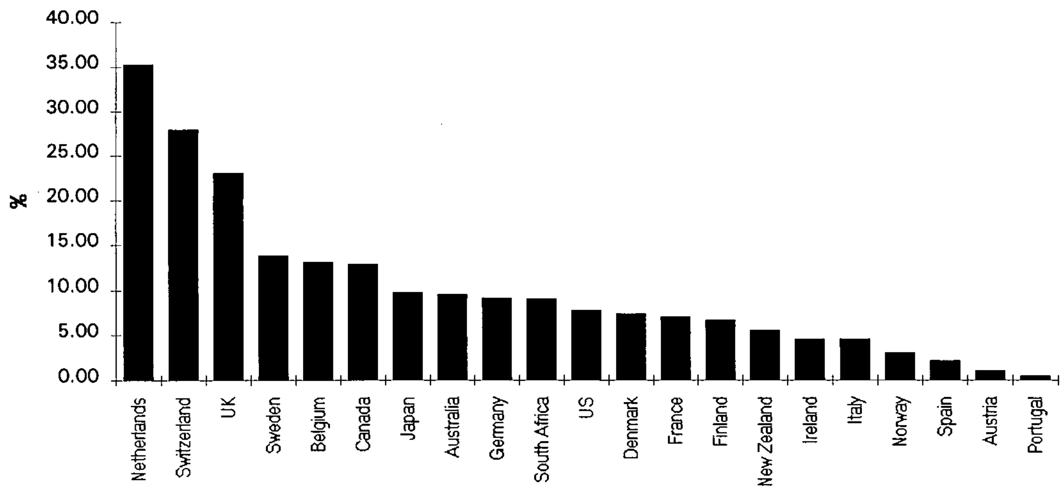
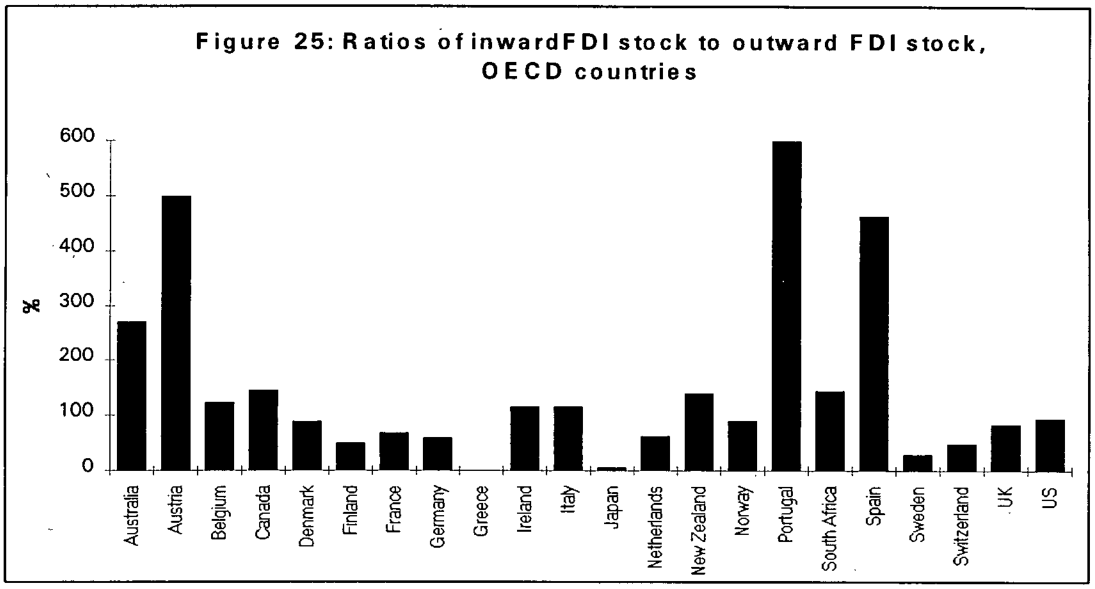


Figure 24 : Ratios of outward FDI to GDP, OECD countries





When we compare the value of the recorded stock of FDI to the size of the economy measured by GDP, Canada is again included among the main OECD countries with the highest inward FDI stock to GDP percentage levels, at 18.6%. However, it is interesting to note that the FDI/GDP rates for both the UK (19.4%) and the Netherlands (22.2%) are *higher* than for Canada.

When Canada is compared with other countries on the basis of the rate of outward FDI to its GDP it is also a clear leader. Among the G-7 countries, only the UK has a higher rate than Canada , and it is still well ahead of France, Germany, Japan, and the US.

Figure 25 highlights how much more inward FDI than outward FDI occurs for each country. Here Canada occupies a middle position among OECD countries. The simple (unweighted) average of inward to outward FDI in the non G-7 OECD countries is 2.24; in other words, they have $2.24 of foreign investments in their country for every dollar they hold in other countries (calculated from Table 11 in the Appendix). The G-6 ratio is 0.71 (0.85 if atypical Japan, with a rate of .06 is excluded), and Canada's own ratio is 1.45. Figure 25 clearly shows that Canada's relatively high rate of outward FDI brings its standing among OECD countries up in net FDI terms; most importantly, it demonstrates how far Canada is from the patterns for Spain or Portugal, and even of Austria and Australia.

A picture of the more recent developments in the relative size of inward and outward FDI is offered by the figures in Table 11 in the Appendix on the ratios of annual FDI flows to gross domestic capital formation in each country during the last years in the 1980s. They confirm that the recent foreign penetration of a majority of the G-5 countries has been larger than in Canada (France, UK and US), while Canadian FDI has been penetrating foreign economies at a greater relative rate than has Japan or the US, but less than France, Germany or the UK. By projecting the recent growth rates into the future Julius has even predicted a FDI stock to GNP ratio of 50% (!) for the UK by 1995, and of 15.1% and 15.2% respectively for Germany and France (Julius, 1990, 38); the latter are not so far from the (1992) rate for Canada cited above, of 18.7%.

3.2.4.6 Summary of all comparisons

Bearing in mind all the qualifications that need to be made to such comparisons, we can conclude that foreign ownership/control is higher in Canada than most OECD countries. However, when Canada's inward FDI rates are augmented with its outward FDI rates it is easily distinguished from the smaller or poorer OECD countries (with which it has sometimes been compared with in dependency influenced accounts). The high levels of outward FDI relative to the size of GDP is a characteristic Canada shares with many of the more prosperous OECD countries like the Netherlands, Sweden and Australia. Consideration of the relative significance of Canada's high rates of foreign control should thus be tempered by considerations of its relative size, geographical position, and differences in the recent trends in foreign control between OECD countries.

3. 3 Conclusion

This chapter has presented evidence on where Canada fits in the world economy in terms of foreign investment. In terms of the hypothesis defined at the beginning of the chapter the evidence presented here suggests the following:

1) The traditional dependency perspectives on the levels of foreign control of the economy are exaggerated in several ways. This study shows that by not including the financial sector, the traditional numerical levels of foreign control are overstated by around a quarter in absolute terms. Ignoring the strategic position of the Canadian financial institutions and failing to acknowledge the powerful position of Canadian capital among the very largest enterprises (the top 50) in the country has also contributed to exaggerating foreign control.

2) The very considerable drop in foreign control of the economy in the decade and half after 1970 provides strong evidence against the dependency logic, which predicted growing and progressive loss of control of the economy by Canadian corporations. While this study found that the downward trend has apparently halted and partially reversed since the mid 1980s, it is very telling that this recent trend in foreign control is not true for US control, which by many measures has continued to slip up to 1992. [135]

3) The view that the level of foreign investments in Canada qualify it as a semi-colony in company with third world nations like Brazil or Argentina, or even poor-

cousin OECD members like Spain or Greece simply cannot be sustained when the high levels of foreign investment by Canadian capital are acknowledged. When outward FDI is related to the size of GDP, Canada is well ahead of even most G-7 countries. Canadian FDI in the US has also been growing faster than the reverse.

4) The level of foreign control of the Canadian economy is atypically high by advanced capitalist country standards, but the gap between Canada and the G-5 majors is not nearly as dramatic as has been claimed even recently by dependency writers. Rather than an order of magnitude of 4 times between the level of foreign control in Canada and EC countries suggested by Hurtig (1991, 56), the true order of magnitude is probably less than one. When the relative size of the Canadian economy, 'natural' continental integration and recent trends in foreign investments are considered, the net level of foreign investment in Canada is still higher than might be otherwise expected, but it is a less dramatic characteristic than has often been suggested.

Chapter 4: Conclusions

This chapter will summarize the study's findings and propose areas for further research.

4.1 Summary of the findings

Chapter 2 of this study reviewed some of the previous empirical and theoretical evidence against key dependency propositions. Writers critical of this perspective have provided strong evidence for the following points:

i) Against dependency school pessimism regarding its vitality, Canadian capital regained control of large portions of the non-financial half of the economy from the early 1970s to the mid 1980s.

ii) Contrary to the dependency image of a stillborn branch plant manufacturing sector and lagging export capacity in Canada, Canadian industry is comparable in size and composition to that in other advanced capitalist countries and in recent decades has gained ground on these rivals.

iii) Dependency perspectives have failed to acknowledge the very significant independent position of Canadian capital in the world market, including its exploitation of third world economies.

iv) The dependency image of the Canadian bourgeoisie as divided between indigenous financial and a foreign dominated industrial sector is contradicted by (among others factors) the evidence on the patterns of corporate directorships and the extent of conglomerate industrial organization.

Chapter 3 extended some of these studies by testing a four part hypothesis on foreign investment in Canada and Canadian investment abroad. The major findings that emerged are as follows:

i) The all industry data for foreign control in Canada now available indicates that previous estimates based on the non-financial half of the economy overstate foreign control by about a quarter. Previous assessments of the strength of Canadian capital must also now acknowledge that Canadian control in the strategic banking sector of the financial industry is very strong, as is Canadian control of the very largest enterprises in the economy.

ii) The recently released government data on foreign control of the economy shows that the very significant decline in foreign control of the non-financial economy and of each major sector since the early 1970s has slowed down and may have even reversed slightly from 1986 to 1992. However, some of the increase in foreign control is likely a temporary effect of the recession in the late 1980s, and the current levels of foreign control are still lower than they have been at any time since before World War Two. It is also significant that US control of the Canadian economy has continued to decline relative to overall foreign control over this recent period. [136]

iii) Canada has one of the highest ratios of investments abroad to its GDP among advanced capitalist countries, and the rate of Canadian investment in the US has been growing faster than that of US investment in Canada. When the scale of its own foreign investments is considered, Canada can be clearly distinguished from poorer OECD countries with similarly high rates of foreign control of their economies.

iv) The level of foreign ownership and control of the Canadian economy is undoubtedly higher than in other major advanced capitalist countries. However, when the relative size of the Canadian economy, its position in world regional terms and recent international trends in interpenetration of advanced capitalist countries are considered, the relative extent of foreign control in Canada is considerably less than has generally been suggested.

In the formal terms of the hypothesis detailed in Chapter 3, this study essentially upheld the first three parts, while finding that the fourth part of the hypothesis (that foreign control of Canada is comparable with that in other major advanced capitalist countries) was disproven, or at least overstated. [137]

This study's general hypothesis on the nature of Canada's social formation (semi-colonial or advanced capitalist) cannot be reduced to its specific hypothesis regarding Canada's international investment position. However, the results from Chapter 3 and the great weight this question has in the dependency argument, along with some of evidence on other points cited in Chapter 2 make it easy for this author to declare which conception of the context for planning interventions in Canada should be followed. [138] The overall conclusion of this study is that the evidence strongly opposes the dependency characterization of both Canada's international investment position and its general characterization of the Canadian social formation, while upholding key elements of an advanced capitalist position.

4.2 Further research

Several areas for further research are suggested by this study. With regard to the evidence on Canada's international investment position, one obvious candidate is a more detailed review of the evidence on comparable measures of foreign control of

OECD economies, as the treatment here is admittedly superficial. The accuracy and availability of FDI data in particular is also rapidly improving. Statistics Canada has indicated that they will publish additional estimates of foreign control in a more timely fashion than in the past, and this will facilitate more current appraisals of trends in foreign control. In addition the Intercorporate Ownership catalogue provides a rich and underutilized resource for detailed study on foreign control of enterprises in Canada.

In terms of further evaluation of the dependency perspective, the first point would be to extend the evidence presented by writers like Resnick (1989) and Kellogg (1991) on the relative strength of Canada's industrial economy and its reliance on raw resource exports. Like the question of foreign ownership, this issue is a central point in the dependency approach, and at least portions of this issue lend themselves to empirical testing. A central empirical challenge in such efforts is the problem of different national industrial classification systems, while on a more conceptual level the characterization of "raw materials", "staples" etc. requires attention. One way of evading both industrial aggregation and conceptual difficulties might be to categorize economic activity according to the rates of value added (rather than by product or industry), and explore comparisons on this basis. Another avenue would be a comparative case study of Canada and other countries to which dependency analyses have been applied, such as Australia.

While this study has generally restricted itself to rather narrow economic and empirical approaches, all political economists would agree that a wider approach is required. The largest area for further research that arises out of this study is the challenge of further developing the conception of the Canadian social formation sketched by Carroll (1986) and others. After all, it is easy to find fault with one approach, but the real point is to be sure you have developed a superior model.

4.3 Conclusion

For more than two decades, the dependency perspective described in this study has pointed labour and socialist approaches to policy and planning questions in the direction of nationalist solutions based on an assumption that Canada occupies a position somewhere between the imperialist powers and the colonial third world. It is past time to acknowledge that, for better or worse, this perspective is fundamentally false.

Planning problems in Canada have a similar social and economic context to those in other major capitalist countries, and Canada occupies a similar position as other imperialist countries in the obstacles faced by the real victims of the international world order. Many social and economic problems in Canada are actually more deep seated (and their solutions more difficult and protracted) than dependency perspectives typically admit. Planning interventions must address the real workings of capitalism in Canada and avoid being sidetracked by diversions that point somewhere else, anywhere else.

Endnotes:

[1] See for example Drache, 1985. The "new" Canadian political economy school developed in the late 1960s, with roots in the "old" Canadian political economy of Harold Innis and others on one side, and various left-wing and nationalist perspectives usually linked to Latin American dependency theory on the other. The best recent expression of this school is the collection of articles edited by Williams and Clement (1989), which includes an introductory article on the political economy approach to social science. Most political economists hold that this approach identifies with the social interests of the working class and oppressed social groups, i.e. it corresponds to some extent with a left wing political orientation.

As will be the practice in the rest of this paper, the complete citation for these works may be found in the bibliography.

[2] This was one of the most modest formulations used by left-wing supporters of the nationalist campaign against the Canada-US Free Trade Agreement; the issue here is not the FTA itself but of the campaign that opposed this agreement between Canadian and US capital.

[3] Throughout this paper, "dependent" or "semi-colonial" or "third world" or the "weak Canada" perspective will be used interchangeably as shorthand terms for the former approach; some of the variations and refinements are described in Chapter 2. The "advanced capitalist" label will be used to describe the latter viewpoint, which groups Canada among the major OECD countries; an alternative designation would be that Canada is an "imperialist" country.

[4] The fourth approach, "region in the centre", is William's own contribution. Downgrading the nation-state as a basic unit of analysis, he interprets Canada as a lesser region within a succession of powerful empires (Williams, in Clement, 1989, 117). This approach is briefly described below in the section on William's works, but for the purposes of this study essentially falls into the intermediate category.

[5] Myers goes on here to distinguish control from ownership, emphasizing that "[B]y means of their control of financial markets and distributive systems, small number of men may effectively control sources of wealth which may still remain under individual ownership..." (Myers, 1972, xxxi).

[6] The discussion that follows relies to a large degree on the account in Carroll (1986).

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[7] This book had been distributed in manuscript form for two years previous and had been widely read and discussed by various leaders in the NDP, especially those associated with what became the Waffle caucus.

[8] This distinction between portfolio and direct investment had also been emphasized by the Libbie and Frank Park (1962).

[9] Based on this attention to Canada's external holdings it might be fairer to categorize Levitt's view of Canada as being closer to the 'intermediate' category. However, she is included in this discussion of the dependency thesis because of her deep pessimism regarding Canada's prospects, and because of the role her work had in shaping the rapidly developing dependency school.

[10] He also asserted that "the Canadian bourgeoisie have never sat at the high table as an industrial bourgeoisie in their own right. A colonial bourgeoisie gains admittance to the club for its weakness, not its strength" (quoted by Williams, in Clement, 1989, 123).

[11] See Drache, 1983.

[12] Drache used this term to describe her work in the development of the political economy school (as cited by Carroll, 1985).

[13] The emerging political economy school was clearly influenced by that period's anti-imperialist (to be more precise, anti-American imperialist) sentiment in relation to the Vietnam war and politics in Latin America. Such semtiments contributed to a focus on those features of Canada that were similar to the oppressed third world, rather than those shared with the U.S. and the older imperialist powers.

[14] The Waffle caucus in the NDP, which also reflected a wider radicalization in the period rapidly gained considerable support. It was eventually expelled by an Ontario NDP convention at which it drew the support of about one-third of the delegates.

[15] Robert Laxer ends his introduction to this volume by writing that :
The analysis itself will receive the acid test during the 1970s and 1980s, the decades when Canada's future will be pointed either towards continentalism and a final lament or towards socialist independentism and a new birth. (Laxer, 1973, 25)

[16] Williams has aptly described Naylor's contribution as follows:

> R.T. Naylor became the leading figure within the cult of the enfeebled Canadian capitalist class...dependency and underdevelopment in Canada were the unfortunate result of the playing out of a form of species hostility toward independent industrialists on the part of the dominant but colonized merchants and financiers who organized Canadian resource capitalism. (in Clement, 1989, 123)

[17] Naylor's most recent opinion on these issues is suggested in the following quote:

> A country can qualify as 'dependent' in a number of ways. It can have the development of its forces and production and exchange derivative from, or even incidental to the development of the forces of production and exchange in the major metropoles of world capitalism. Its governments may lack, by virtue of the power of exogenous structures and transnational economic institutions, the normal levers of control over the course of a country's economic evolution, thus having its economy for all intents and purposes a regional adjoint of that metropole... It can qualify as a 'dependent' economy in these and other ways, for the reasons not being any less a net beneficiary of the development of capitalist relations of production and exchange on a world scale. This, in turn, requires jettisoning the naive and misleading notion that the development of capitalism divides the world neatly into 'exploiting' imperial posers and 'exploited' colonies in a scenario that owes more to a rejected John Wayne movie script than it does to the critical spirit of classical Marxism." (Naylor, 1983, 99)

[18] For example, the railroads greatly spurred the development of a world-scale domestically-owned iron and steel industry in Canada in the end of the century. Around the turn of the century, Canada was the 8th largest steel producer in the world. Naylor diminishes this example of industrial development in Canada because the original developers of these companies were, at the time, American citizens (Naylor, 1975). Many economic historians have tended to place great importance on the role of railroads in the diffusion of technical knowledge and applications, e.g. as the result of local repair facilities.

[19] Richardson tested the "merchants against industry" thesis by looking at the directorships held by Who's Who members in Toronto in 1911. His findings, for example that over half had links to both industrial and mercantile sectors instead tend to rather support the "merchants become industry" theory associated with classical Marxism. Richardson also demonstrated that the ratio of each of the commercial and financial sectors in Canada to that of industry, as defined by Naylor, is lower than in the United States - or virtually the same when the assets controlled by foreign investment were removed from the comparative data (Richardson, 1982).

[20] A more rounded and explicit analysis on this point by the Latin American Working Group and the Development Education Centre in Toronto on the issues of class and national strategy in Canada is found in the collection of essays on this topic, Imperialism, Nationalism and Canada, (Herron, 1977).

[21] By 1972 Porter's original sample of 183 "dominant" corporations had been reduced to 113) (Clement, 1975).

[22] The new political economy refers to this school since the late 1960s, i.e. the marriage of the "old" political economy of Harold Innis and company with contemporary neo-Marxist ideas; it spans the categories suggested by Williams at the beginning of this chapter.

[23] As suggested by the back-and-forth formulations in his books, it is difficult to identify a clear characterization by Clement on the issue of independent Canadian versus foreign capitalist influence. Noting that all significant decisions about the economy were beyond the effective power of most Canadians, he asks "But is this really a consequence of foreign investment or private investment?" He goes on to suggest that the only real basis for preferring domestic ownership is that "Canadian based companies are potentially more susceptible to state regulation" (Ibid., 301).

[24] Carroll wrote that while a few later authors have de-emphasized this issue of class fractions and alliances in favour of structural considerations like the "externalities" of colonial relations (Drache, 1983) or the severe dependence on U.S. technology (Britton and Gilmour, 1978; Williams (1983), the claim that Canada occupies an unusual location in the world capitalist system, in large part owing to the commercial proclivities of its ruling class, retains considerable popularity in academe (Carroll, 1986, 14).

[25] Following these two influential books, Clement shifted greater attention to class relations and class formation in Canada, including in books about hardrock mining and fishing. In a 1990 article, he indirectly revisits some of the earlier questions from the angle of comparative class analyses of Sweden, Norway, Finland, Canada and the U.S, based on the results of identical occupational surveys in these countries (Clement, 1990). Noting that Canada has the proportionally smallest capitalist class of this group, the article suggests "this may be some indication of Canada's being managed from the outside, especially by the United States"; and that Canada's working class is proportionately larger than that of the U.S. (Ibid., 469).

The article also quotes a similar study's finding that "in the goods sector, which is dominated by U.S. ownership and employment practices in Canada, there was a strong resemblance between patterns of supervision in Canada and the United States which differed from those of Sweden" (Ibid., 475, referring to Black (1986). The overall pattern emerging from this study was that in a number of occupation and class-related indexes Canada occupied mid ground between the U.S. and the Nordic countries, but that in general its class structure resembled that of the U.S, especially in the private goods producing sectors (Ibid.).

[26] Broken down by sector it included 50 corporations in industry, 16 in commerce, 15 in transportation and services, 15 in real estate, 11 trust companies, 10 insurance companies, 9 holding companies, and 10 other financial institutions (Niosi, 1978).

[27] Niosi argued that the finance capital theory consists of bank domination over industry, cemented by both equity ownership and directorship ties. Other approaches to finance capital (e.g. see Carroll and Richardson, below) see finance capital as a symbiotic fusion of finance and industry capital.

[28] Canadian law requires that crown corporation directors be Canadian citizens.

[29] This is an important issue, which will not be explored in this study. However, it is obvious that any approach that links the issue of nationalism to the character of the national capitalist class must be clear on how this identification *in Quebec* affects the pan-Canadian definition of the problem.

[30] Niosi suggests that corporate concentration appears to be significantly stronger in Canada than in the United States because of the smaller market and foreign capital in manufacturing and mining (Ibid., 43).

[31] The idea that much of Canadian foreign investment is foreign controlled was also strongly argued by Hurtig (1991).

[32] No information was given on the extent of foreign subsidiary FDI where Canadian corporations hold non-controlling minority positions.

[33] The logic of concluding that technological dependence is associated with low levels of research and development in the multinational's subsidiaries seems contradictory, as is the comparison with Japan. However, Niosi cites a number of Science Council of Canada and other well-known studies that confirm the relatively low level of patents filed, research and development expenditures in Canada (especially by foreign owned subsidiaries), etc.

[34] Niosi uses a slightly more liberal definition of control that does Statistics Canada, which allows for more cases on control through minority holdings. According to Niosi Statistics Canada uses a 50% threshold, and only recognizes minority control where justified by shared directorships (Niosi, in Khemani, 1988, 40; see discussion of this issue in Chapter 3).

[35] The comparison of Canada with Australia and New Zealand is one on the few points that probably all the general perspectives being outlined here (dependent, intermediate and advanced capitalist) agree on.

[36] Ryerson's doctoral dissertation circulated in photocopy form for 22 years before being finally published in 1981. While Pentland apparently did not consider himself a Marxist, his analysis of the formation of the working class in Canada is often characterized as consistent with Marxist approaches.

[37] This is the special issue referred to above in the discussion of Drache's views.

[38] After commenting favorably on the breakaway by the Canadian wing of the U.S.-headquartered United Auto Workers union, Panitch argued that "the forging of greater national identity and unity for the working class" is a *precondition* to socialist advance" (Ibid., 12, emphasis added).

[39] The journal Studies in Political Economy.

[40] "Innis' staple theory has no common ground with Marx's historical materialism. His staple theory is build precisely on the kind of theoretical commodity fetishism that Marx attacked...Innis follows Adam Smith in defining capitalism in terms of circulation and the market" (Ibid., 56).

[41] In a similar vein, Ray Schmidt argued that Canadian political economy had not really broken with the bourgeois problematic and established a distinctly Marxist one, in particular by not addressing the role of independent commodity producers in Canada's class formation (Schmidt, 1981).

[42] In a later article in reply to critics of his views (see, e.g. Parker (1983), McNally reiterated his insistence of the fundamental incompatibility of Innisian and Marxist approaches, emphasizing how staples theory assumed two of the central theoretical propositions of the classical political economy against which Marx developed his critique: a market abstractionism in which capitalism is conceived of as a mode of circulation (not production), and a technical conception of production which focuses on the production of things by factors of production and not as a process in which social (class) relations are produced and reproduced in the process of producing commodities (McNally, 1986, 163). He pointed out that according to Marx, such a view is characterized by commodity fetishism insofar as it conceives of society as comprising

> ...material relations between persons and social relations between things. Capitalism is conceptualized in terms not of social relations where class struggle is at the centre of analysis but in terms of material interactions between commodities, technologies and their environment. (McNally, 1986, 163)

[43] This article was originally published in April, 1989 in Review, The Fernand Braudel Centre.

[44] This would appear to be a reference to Panitch's suggestion cited above.

[45] Canadian patent laws were restricted to 2 years protection if the innovation was not put into use.

[46] Laxer has urged the political economy school to go beyond what he refers to as its tendency to schizophrenia:

> On one side are nationalist idiographic historians who focus on Canada's dependent position in the world economy and assume that Canadian history is largely made outside the Canada. On the other side are nomothetic "internationalists" theorists who address entirely different issues - those of social order and revolution. While the latter assume that Canada is part of an international capitalist order, they assume the Canadian business class is largely indigenous, as in other advanced capitalist countries. Both perspectives tend to be ideologically charged and engage in epistemological and methodological extremism. The result is a dialogue of the deaf. (Laxer, 1989, 178)

Laxer has tried to overcome this division by providing a critical review of other accounts of early industrialization in Canada, and urging attention to the domestic social interests involved rather than ill-defined foreign influences. However, his account retains major problems. For example, it seem very ironic in light of his views quoted above to "explain" the political weakness of farmers, which in turn "explains" the lack of Canadian independence by "external" influences - British and U.S. ideology (British anti-populism and inherited French-English/Protestant/Catholic tension; see the quote in the text above)! Laxer appears to assume that which really needs explanation, namely the historical justification for a separate and independent country in this period of North American history. This is not really the place to develop these arguments, but a few points may illustrate why this is a legitimate issue for the debates on the subsequent character of Canadian capitalist development.

There seems little doubt, for example, that the U.S. democratic republic would have been an advance over British colonial rule for workers and farmers in Canada. This is suggested by the fact that 60% of immigrants to Canada in the 1840s promptly crossed the border to settle in the U.S. The 1851 and 1861 census showed that emigration rates were as high as immigration rates; as late as 1881-1891 one million of a population base of five million left Canada, mostly for the US.

It is also shown by the difficulty the British had in recruiting settlers in Upper and Lower Canada to help defend British North America against the U.S. in the war of 1812, and why some of the more radical opponents of colonial abuses even fought on the American side. The war of 1812 was part of a larger reactionary campaign by the British empire against American and French capitalist rivals, the latter who still expressed some of the legacy of their more thorough-going bourgeois-democratic revolutions. (The British did, in classic imperial divide and rule style obtain the support of several Native nations in the war against the U.S., notably Tecumseh's Six Nations forces, in exchange for recognition of full sovereignty and assured territory. Needless to say the British failed to keep their promises.)

An important omission in Laxer's and many other writers' accounts of Canadian development is acknowledging the stakes in and consequences of the failure of the 1837 national-democratic revolutions in Upper and Lower Canada. The general result of this defeat was a reinforcement of the more conservative trajectory of capitalist development in Canada as compared to that in the U.S., with whom the rebels had strong sympathies and enjoyed some political support.

In part, the omission by some of these writers concerns the relative weight of class forces in the 1837 rebellions. Naylor, for example, focused on the role of "nascent industrialists" in the 1837 rebellion, but the composition of its leadership and main demands also reflected the considerable weight of workers and farmers in this national democratic alliance. Along with freedom of trade, the demands included full independence from Britain and democratic forms of rule; a thorough-going land reform (including an end to the semi-feudal forms of land tenure maintained by the British when they bought out the majority of seigneuries from the French after the conquest in Lower Canada); an end to Church privileges, especially confiscation of the Church's vast land holdings (one-seventh of land was granted to the Churches, who also paid no tax on Church property, placing a heavy burden on settlers for road construction, etc.); public education rather than religious instruction; and a series of provisions relating to linguistic and other national rights in Lower Canada.

While the rebellions in Upper and Lower Canada had somewhat different demands (the national question in Lower Canada was of prime importance), there was considerable contact and mutual support, reflecting a process of non-sectarian and anti-racist unity between English Protestant and French Catholic forces, a process that was cut off and reversed by the defeats in 1837 and subsequent onerous terms of unification of Upper and Lower Canada (whereby debt-free Lower Canada assumed half of Upper Canada's debt). Laxer and others fail to acknowledge this in accounts of how national divisions helped consolidate the power of the capitalist class in comparison with agrarian and other plebeian forces.

An indication of the relative weight of class forces in the 1837 rebellion is that in Lower Canada of the 108 court martialed following the defeat, 66 were farmers and of the 12 hanged, 5 were farmers. In Upper Canada, among the 885 fighters listed as arrested or escaped, 375 were farmers and 425 were wage workers or artisans. The battles and skirmishes lasted for over one year, and attracted attention and active support from democrats throughout Europe. Of a combined Upper and Lower Canada population of about one million persons, several hundred were killed in fighting, 32 revolutionary leaders were executed, more than one thousand were charged with treason or insurrection, hundreds were imprisoned or transported to penal colonies and thousands were driven into political exile, most to the U.S.

Following this defeat the reform movement was dominated by much more conservative interests linked to the growing industrial bourgeoisie, whose outlook was limited their demands to "responsible government". Their success in gaining limited self-government 1846 was not so much due to their own leadership and strength as to changes in the political order in Britain, namely the cheaper colonial policy favored by the industrial capital in Britain (whose rise to power over the landed aristocracy was reflected in the repeal of the Corn Laws in the same year).

In a later period, it was the much more generous U.S. land policy that spurred the Homestead Act of 1872 and opened up the west to farmer-settlers, as opposed to the previous pattern in Upper and Lower Canada of huge land grants to church and political favorites. As in the case of winning self-rule, it was not so much the progressive character of Canada's capitalists that lay behind this policy as the democratic-minded example from outside. The Canadian Homestead Act was largely the result of the combined pressure to compete with the U.S. for settlers who would provide a market for consumer goods for Canadian industry, and to forestall challenges to Canadian sovereignty of western Canada now opened up by the cross-country railroads.

These examples suggest that it is a legitimate to suggest that, from the point of view of democratic ideology, the form of government, the separation of church and state, constitutional protection of individual rights, agrarian policy and general economic development, what made Canada "distinct' from the U.S. in this period was mostly retrograde and reactionary. Laxer and others do not address this issue; they seem to assume that Canada was *meant* to be an independent country in the British, as opposed to the American mold.

Fuller accounts of some of these points are found in Dugre, Michel, "Land, Labour and the Canadian Revolution", New International, No. 6, 1987, and in an unpublished manuscript by Art Young and Robert Simms. Another useful (except for the rabidly nationalist commentary) on the 1837 rebellion is Keilty, Greg (ed.) (1974), 1837: Revolution in the Canadas, As Told by William Lyon Mackenzie, NC New Press, Toronto.

[47] It should be noted that Ornstein acknowledged that methodological differences between the studies in Canada and the U.S. meant these conclusions were somewhat tentative.

[48] This number is composed of the largest 50 financials ranked by assets and the 200 largest non-financials, ranked by sales, plus the 6 largest real estate companies, all in 1981 (Ornstein, 1989, 159).

[49] Austria, Belgium, Britain, Finland, France, Germany, Italy, the Netherlands, Switzerland.

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[50] Ornstein also found that Canada's overall density index (the number of actual inter corporate directorship ties, over the total number of possible ties) was in the mid-range of this sample, as was the case for "secondary" ties as well (ties that do not involve an executive of the linked corporations) (Ibid., 162).

[51] Newman has published a number of other books on recent topics; see for example The Establishment Man: A Portrait of Power (1982) , The Canadian Establishment, Vol. 2 (1983) , The Bronfman Dynasty (1987), and The Acquisitors.

[52] Francis notes this list is not comprehensive, as several other family fortunes which are larger in net terms but distributed into various trust and pension funds, i.e. passively invested, are not included (Francis, 1986, 2).

[53] One estimate puts the number of billionaire families in Sweden at 4 (The Militant, 1993).

[54] It seems somewhat surprising to label Canada's competitors in finished goods as semi-industrial countries rather than the industrials. Canada's increase in finished goods over total trade was much greater during this period than any of the other industrials, 191% compared to, e.g. Japan's 11%, Sweden's 61% and a decline for the UK of 24% (calculated from Table 1, p. 8 in Williams, 1983).

[55] This is the "region in the centre" perspective referred to in the introduction as the fourth approach to the Canadian social formation.

[56] Schmidt was one of the original special issue SPE dependency critics.

[57] It may be pointed out that Carroll's definition of finance capital differs from that assumed by Niosi. The latter defines finance capital as the virtual control of industry by the banks. Carroll's approach does not require this (though he notes that the banks in Canada are more like those in Germany, the classical case of finance capital); rather it is more a case of supra-corporate networks, linked by ownership, directorships and business strategy.

[58] Carroll later extended his coverage to 1985. The results show that Canadian control of 31 firms with 27% of assets in 1976 grew to 46 firms and 71% of assets in 1985, with a commensurate decline in the U.S. position (Ibid., 165). He also showed that both repatriation of ownership and concentration of capital contributed to this trend. Of the 39 dominant industrial firms under foreign control in 1976, 12 had been "Canadianized" by 1985, of which 9 were purchased from U.S. owners:

> ...there can be no doubt that since the early 1970s Canadian finance capitalists have successfully consolidated their economic position at home while expanding their investments abroad. (Ibid., 169)

[59] As previously mentioned, Carroll later extended his study to 1985, and found an accelerated process of repatriation of Canadian control in the key sectors like mining and manufacturing over this period (Carroll, 1986, 169).

[60] These include Bell Canada, Inco, Alcan Aluminum, and the Hudsons, Bay. In the mid-1970s, an aggressive series of repatriations included CPIs takeover of Algoma Steel, and Dominion Bridge, Abitibi's takeover of Price Company, and the Bronfman's takeover of Trizec Corporations. In the same period, provincial governments took over Dominion Steel, Columbia Cellulose, and Churchill Falls by Hydro Quebec and Newfoundland Hydro (Carroll, 1986).

[61] Carroll offers four tendencies which provide a better context for understanding Canadian capitalism than does dependency theory. The first is the tendency to capitalist cross-penetration, especially in terms of increased foreign control in all advanced capitalist countries. For example, in Britain, U.S. subsidiaries' sales accounted for 22% of GDP in 1976, up from 13.5% in 1965. In France, more than 50% of sales in petroleum, agricultural equipment, electronics and chemical industries are foreign controlled. In West German, foreign investment predominates in oil refining, glass, cement, food, electrical machinery and iron and metals. Among West Germany's 30 largest corporations are nine foreign subsidiaries, compared to 10 in the top 30 in Canada (Carroll, 189).

Carroll also suggests the need to distinguish the "generally simulative and increasingly cosmopolitan form of foreign investment that predominates in Canada and the highly centralized economic relation that has been imposed on many LDCs" (Ibid., 192).

A third feature is the relative decline of American economic and political hegemony, combined with elements of the internationalization of finance capital. While corporations retain an important national base, several supranational corporate networks can be discerned. The final point Carroll proposes is that process of internationalization of capital has to some degree displaced the nation state.

[62] Aggregate concentration refers to the relative position of large enterprises in the economy; industry concentration measures the position of large enterprises within their own sector of activity; ownership measures the extent to which shares of stock exchange listed companies are widely or narrowly held.

[63] Khemani also notes the post war efforts in Gordon's Royal Commission in 1957, the Economic Council of Canada in 1969, The Bryce Commission in 1978, and McDonald's Royal Commission in 1986.

[64] He notes that in terms of its 1985 population Canada was 42% the size of the F.R. of Germany, 215 of Japan, and 11% of the US; in terms of 1984 GDP, the respective relations were 31%, 21% and 9% (Ibid., 63).

[65] Kellogg (1990). He notes this was a favorite phrase of Lenin's.

[66] This topic is the subject is the first half of this dissertation; its main subject is actually Canada's international political/military strategy. This study benefited greatly from Kellogg's work. In the following chapter 3 his findings on trends in foreign control are extended a few more years, and comparisons of foreign direct investment are brought to bear on the same questions he discusses.

[67] This estimate probably originates with Statistics Canada, as it is noted as having proven accurate in the 1993 report (Statistics Canada (1993a).

[68] Another example is that of Bell Canada Enterprises, which gradually became Canadian shareholder controlled.

[69] Bairoch's massive study attempts to develop comparable industrialization figures in the world from 1750 to 1980. He defines industry to embrace manufacturing and all forms of industry except mining, construction, electricity, gas, water and sanitary services (Bairoch, 1982, 332).

[70] Statistics Canada includes all corporations controlled by a single parent as one enterprise, e.g. all the companies that are controlled by the Bronfman family trust.

[71] These issues will be discussed in the following chapter.

[72] Richardson notes in a footnote that according to evidence on directorship and equity interlocks described by Fennema (1982), there is probably a greater degree of corporate concentration in some European countries such as Sweden and Belgium.
[73] See also the comments on this issue by Panitch (1985, 4).

[74] It may be noted that in his earlier article, Richardson cites the findings of Zeitlin (1974), who, on the basis of a detailed critique of Berle and Means' (1967) methodology pointing to managerial control of U.S. corporations, found that nearly two-thirds were owner-controlled and that family capitalism remained alive and well. In this article, Richardson also cites studies for Canada by Niosi (1978), Dhingra (1978) and Antonious and Rowly (1986) as respecively finding plurality and large majority owner-control over large corporations.

[75] It should be noted that the latter figures are for the 'Current series' method while in the 'Historical series' the levels of foreign control are a couple of percentage points higher, (see Chapter 3.1.3 for explanation of the difference). This, however, does still not account for the gap between Hurtig's book and the Statistics Canada catalogue numbers (Hurtig cites Statistics Canada as the source, without, however, specifying exactly *which* measure or catalogue).

[76] On the other side, the coherence of the advanced capitalist position would be advanced by more complete accounts of the origin and nature of independent finance capital in Canada, and clarifying Canada's position in world imperialism. Resnick's contention that Canada's recent coming of age as a major power differs importantly from Carroll's account, which dates the formation of independent finance capital much earlier. The latter view seems more persuasive, partly because it avoids the burden of Resnick's evidence for the main reasons for the emergence of a stronger Canadian bourgeoisie (namely higher resource prices and nationalist interventions by the state), and it seems to this author the evidence here is rather thin. Kellogg (1991) proposes "military parasitism" by Canada as a major reason for its relative economic success (i.e. less waste on armaments; he literally suggests that the streets of Toronto are kept clearer than those in Detroit because the state can better afford such costs.) This account is unconvincing for various theoretical and empirical reasons (e.g. Canada is still listed as 6th among OECD countries in military expenditure as a percentage of GDP in the 1988 (World Competitiveness Report 1991, Geneva, p. 252). A useful dimension of Canada's strategy in the world system would be a critical history of Canada's role in international 'peacekeeping'. The record here is not quite the 'honest broker' role assumed by many political economy nationalists, as it includes naval military support for the suppression of the 1932 Salvadorian revolution, logistical accessory in the coup d'état and murder of Patrice Lumumba in the Congo, and duplicitous diplomatic cover for U.S. aggression against Vietnam in the U.N. International Control Commission. (These examples are some of those usefully documented in an unpublished manuscript by Robert Simms and Arthur Young.)

[77] Another often used source is the Financial Post 500 listing of the top corporations in Canada. The data published by Statistics Canada on the leading enterprises in Canada is preferable because it is more complete; the methodology for assigning foreign control is more explicit; and because of the advantages of their consolidation of related corporations into the enterprise economic unit (rather than the corporation).

The publication of Statistics Canada's Intercorporate Ownership series (Catalogue 61-517), which lists all corporations and their ownership links within such enterprise structures by nationality and SIC code, provides a potentially very fruitful source for studies of foreign economic control. Unfortunately it could not be exploited here because of the cost of obtaining the machine readable data that would make various manipulations possible.

[78] Unfortunately the description of all the methodology and changes used by Statistics Canada is not included in a single source. This descriptions in the sections below are variously culled from Statistics Canada (1993a), Parliamentary Report of the Minister of Industry, Science and Technology under the Corporations and Labour Unions Return

Act, Part 1- Corporations, Preliminary, 1989 1990 1991 1992, Statistics Canada, Ottawa (Catalogue 61-220); the earlier versions of the same publication - Statistics Canada (1991), Annual Report of the Minister of Supply and Services under the Corporations and Labour Unions Returns Act, Part 1 - Corporations, 1988, Minister of Supply and Services, Ottawa. (Catalogue 61-210), and Statistics Canada (1973), Annual Report of the Minister of Industry, Trade and Commerce under the Corporations and Labour Unions Returns Act, Part 1, Corporations, 1970, Minister of Industry Trade and Commerce, Ottawa. (Catalogue 61-210) - as well as a related catalogue, Statistics Canada (1993c), Intercorporate Ownership 1992, Ministry of Industry, Science and Technology, Ottawa. (Catalogue 61-517), and Statistics Canada (1993b), Canada's International Investment Position, Historical Statistics, 1926 to 1992, Statistics Canada, Ottawa. The Intercorporate Ownership catalogue provides the most extensive discussion of the methodology used, though it is not clearly stated how comprehensively and for what length of time these particular criteria have been applied.

[79] Assets are defined on the balance sheets of enterprises as cash, marketable securities, accounts receivable, net fixed assets, investments in affiliated corporations and other assets. Equity is the shareholder's interest in the new assets of the enterprise. It generally includes the total amount of all issued and paid-up share capital, retained earnings and other surplus accounts such as contributed and capital surplus, and minority interests in consolidated enterprises. Operating revenue in the non-financial enterprises equals gross revenue from non-financial operations (i.e. it excludes interest and dividend income). For finance and insurance industries it equates to total revenue. Operating profits comprises net earnings from operations (operating revenue less operating expenses)(CALURA 1989-1992, (1993),. 72-73).

[80] Non financial industries include all productive sectors, services and trade, and mainly exclude financial intermediaries like the chartered banks, trust companies, credit unions, and insurance companies.

[81] Capital employed is defined as long-term liabilities and equity used in Canada. It includes voting and non-voting shares, preferred shares, convertible shares, warrants, bonds, debentures, loans and other long-term debt or equity instruments.

[82] Generally speaking, foreign direct investment refers to the book value of investments in Canada with a foreign ownership component of 10% or more.

[83] Capital employed figures are for 1991. FDI stocks are presented as a ratio of total GDP in Canada in Figure 2. Outward FDI (i.e. Canadian owned FDI abroad) is included for comparison. It should be noted all these measures rely on recorded book values; current market values would normally be considerably higher.

[84] This measure excludes capital employed by Canadian-resident corporations abroad. Prior to 1988 the measure of capital employed in Canada deducted the long term capital channeled outside the country. Beginning with 1988, short-term capital was also deducted, so that foreign capital employed in Canada after 1988 refers to both short and long term foreign capital invested in Canadian enterprises minus both the short and long term capital invested abroad by these Canadian enterprises: "It turned out that the new definition had very little impact on the measure of capital employed in Canada, the enterprises have roughly the same amount of short-term foreign liabilities as that of foreign assets" (Statistics Canada 1993b, 39.) Deferred income taxes were also added (in the amount of $40 billion in 1988) to capital employed, and were deemed to be Canadian whatever the control of the enterprises.

[85] This is rather confusing, so Statistics Canada provides the following chart taken from p. 117 of CALURA 1988 (1991):

	CAPITAL	EMPLOYED	
	owned by controlling interests	owned by foreign noncontrolling interests	owned by Canadian noncontrolling interests
Foreign controlled corporations	FC	FC	FC
Canadian controlled corporations	FO	FO	FO

(FC = foreign control; FO = foreign ownership)

[86] Partial data on foreign direct investment is also available back to 1900 in Viner (1975).

[87] Paul Kellogg's 1926-1987 series for foreign control of the economy uses the same Statistics Canada source as is the basis for this (reworked) series for the period *before* 1965, (which he takes from Leacy, 1988), though it is likely his series includes capital routed through foreign-owned companies in Canada but ultimately invested outside the country, which this series excludes (Kellogg, 1990, p. 35). Kellogg labels the table as a whole foreign control by "sales", which is thus incorrect for this first period. Sometime after 1965 Statistics Canada discontinued the "sales" designation in favour of "operating revenue", the term used in this study.

[88] The "current series" refers to a new methodology implemented in 1988; it will be discussed in relation to the other series below.

[89] In the energy sector as a whole (which, with 30% of the total capital employed is the largest single sector), foreign investors *owned* 40% of the $173 billion capital employed, but *controlled* only 23% (Statistics Canada, 1993b, 32-33).

[90] Unincorporated credit unions and joint ventures are also included under CALURA coverage. Until recently CALURA reported on only non-financial corporations, i.e. all financial sector corporations were excluded. See the discussion below.

[91] In 1988 there were 433,00 such corporations classified to the non-financial industries. The list of all corporations covered by CALURA reporting includes joint venture and partnerships of these corporations, unincorporated branches of foreign incorporated companies, limited dividend housing corporations, federal proprietary Crown corporations and their subsidiaries, provincial Crown corporations and cooperatives. Credit unions, caisses populaires, insurance carriers, municipally-owned corporations, religious organizations, trusteed pension funds and foreign business corporations are not included, nor are corporations considered inactive (declared less than $50,000. in assets and less than $10,000. in sales or gross revenue). Statistics Canada notes that about 15% of corporations required to report are normally delinquent at the end of the processing cycle, but that these are mostly small corporations and estimates are made using previous year's data and other published information. (CALURA 1988 (1991). Note some changes took place in coverage for the 1988-92 data.

[92] It should be noted the 1989 - 1992 CALURA is titled a "Preliminary Report", whose estimates of foreign ownership and control will be finalized in an official, final report to be released at a later time, presumably on the basis of the complete CALURA returns by the small and medium corporations, and more complete industry by industry detail. While Statistics Canada offers no other prediction of the overall accuracy of this "preliminary data" it seems unlikely there will be any significant differences, so this issues is not considered again in this study.

[93] In 1988 the total real estate industry assets were $142.9 billion compared to $711.2 in other financial industry assets and $923.8 billion in non-financial industry assets (CALURA 1988, 35). However, the new Current Series *also* consolidates the financial data for fully-owned subsidiaries with their parent corporations, and this meant that some wholly-owned real estate companies *remained* with their banking and insurance parent firms in the financial sector (CALURA, 1989- 992 (1993).

[94] While the logic of reducing double counting is certainly sound, it is unfortunate for our purposes that this industry grouping was abolished, since it describes one form of finance capital in Canada.

[95] Since strict observance of the assignment of control based on ownership can result in reclassification from very minor changes in share holding if the balance of ownership is already close to 50%, in practice the country of control is changed only when changes in the ownership of voting equity are "substantial or appear to alter the potential or effective control over the management of the company." (Statistics Canada, 1993b, xx.) While

Statistics Canada does not say so, this point may well refer to some of the changes in ownership from U.S. to Canadian control that have been disputed by some writers (e.g. Williams (1983), such as that of Alcan, and if so this description of the methodology for such decisions suggest that such changes have not been arbitrary or merely minor statistical effects but have reflected larger and more durable trends. Unfortunately, Statistics Canada is restricted by confidentiality agreements in reporting on such decisions.

[96] In Statistics Canada's method, an enterprise is a group of related corporations. A corporation unrelated to any other corporation is a single corporation enterprise. Since the reporting unit for CALURA is the corporation, deriving the enterprise unit involves aggregating, not consolidating the financial data, which results in double counting, especially of intra-enterprise transactions. Note that the changes introduced after 1988 are designed to reduce this aggregation.

[97] A list of the order of preference based on ownership levels is contained in Statistics Canada (1993b), Intercorporate Ownership 1992, Ministry of Industry, Science and Technology, Ottawa. p. xxiii).

[98] "CALURA figures do not treat a corporation as foreign unless more than 50% of its ownership is foreign-based. Therefore the results...underestimate the full extent of foreign influence, since companies under minority control by foreign influences are not defined as foreign in these data" (Grabb, 1992, 78).

[99] This issue was obviously of concern in early years of CALURA reports, as they include tables of the number and size of corporations by the percentage of foreign control. However, these have been discontinued in recent years. It seems fair to assume that the reason for the discontinuance of this information is that the extent of foreign minority control is in indeed not very significant.

[100] See for example the discussion in Graham, Ward and Paul Krugman (1991), p. 36.

[101] A recent article in the business press suggests that U.S. corporations are buying out minority ownership in their subsidiaries in Canada in response to changes in the global organization of production and the Free Trade Agreement. It cites recent minority buy-ins by foreign owners in the cases of Campbell Soup Ltd., Union Carbide Ltd., CIL Ltd., Indal Ltd., Inglis Ltd., and Redpath Industries Ltd. In these case the foreign parent has bought out the public holdings of between 25% and 50% of stock. Assuming there were no other single major shareholders in these cases it is unlikely such buyouts would have an effect on the estimates of foreign control, since these companies would probably already have been designated foreign under the Statistics Canada criteria. See John Saunders (1994), "The Big Squeeze", The Globe and Mail (Classroom Edition), March 1994, p. 12-13.

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[102] The discussion of the difference between the two series below uses data from Text Tables 1.18, 1.19 and 1.20 in the 1989-1992 CALURA report. The values for the non-financial sector here for 1983-1988 are different than those in CALURA 1988, the latter of which are used in Tables 9 and 10 in the Appendix. The difference appears to be that the CALURA 1988 still includes the real estate sector in financial industries, while in the former source this sector was transferred to the non-financial industries in 1983. While the CALURA 1988 data is used below in examining the trends in foreign and US control, the CALURA 1988-1992 data is used here to isolate the effect of the changes that were implemented in 1988.

[103] Given this fact, it would have been preferable to use the dollar amounts of assets and revenues available in the various sources as the basis for calculations, rather than the one or two decimal point percentage figures employed. However, efforts at transferring machine readable data to the computer spreadsheet failed, and it is a lot easier to type columns of percentage figures than numbers in the hundreds of billions.

[104] This is an admittedly rough method, but for the short period in question is unlikely to introduce large errors. The major problem is that the real estate industry is excluded in the series up to 1987, but included thereafter; thus the foreign ownership trends for the whole non-financial industries group will be distorted in proportion to the changes in the real estate sector and its relative place in the all industries group. While it is a large sector in terms of assets or revenue, there have been significant but not qualitative changes in foreign ownership of real estate - from 1983 to 1988 foreign control increased from 9.5% to 13.8% (Text Table 2.1 on p. 35 of CALURA 1988), and although the data is not yet available for the 1988-1992 period it is unlikely there have been large changes since then.

[105] The differences in total measured assets and revenue amount to \$84.8 billion and \$8.7 billion respectively (calculated from Text Table 3.1 on p. 34 of Ibid.).

[106] These differences correspond to \$134 billion and \$20.9 billion in total assets and revenue respectively (calculated from Text Table 2.2 on p. 27 of Ibid.).

[107] The discussion here uses the series discussed in CALURA 1989-1992, where the real estate sector has been included in the non-financial industries back to 1983. As a result, the percentage figures cited will differ from the "converted" data in Table 6 for the above figures.

[108] Assets are the preferred measure here since they are less subject than revenues to short-term, cyclical changes. However, Statistics Canada notes that the larger increases in foreign and US controlled revenue over this period may translate into larger asset shares as well, if Canadian controlled revenues do not increase strongly in the period of

recovery from the 1988-89 recession depths. A related point is that the debt to equity ratios (borrowings + loans and accounts with affiliates / equity) of Canadian controlled corporations in most non-financial industry sectors are significantly larger than for the US and EC controlled corporations (around 1.5 compared to .9 and .7 for the US and EC respectively (Chart 3.7 on p. 44 of CALURA 1989-1992).

[109] It is therefore somewhat surprising that even the later studies cited in Chapter 2 that refer to this 1987 CALURA made no mention of this financial industry and all industry data, but continued to restrict their focus only to the non-financial sector.

[110] However, in this Current series' enterprise reporting unit, wholly owned subsidiaries are included with their parent, so that some wholly owned real estate subsidiaries are included with in the bank and insurance industries. While the data in the chart below carries these changes back to 1983 for the financial sector as a whole, this is not done for individual industries or for those under US control; this frustrated efforts here to derive more consistent series in these cases for the whole period.

[111] While the logic of eliminating double counting is certainly valid, this change was unfortunate since this industry definition expressed an important, if partial, aspect of the form of finance capital in Canada.

[112] Another change was to eliminate Crown Corporations not engaged in commercial, profit-motivated operations, lowering government sector financial data. However, Statistics Canada notes this effect is offset by the inclusion of the Bank of Canada in the financial corporate universe, but it would also increase the financial industry data. Finally, the Current Series incorporates all the activity by wholly owned subsidiaries under the bank sector (e.g. real estate and trust companies), which of course increases the level of activity of banking and decreases that of the other sectors. (Statistics Canada, 1993a, 65). The result of these changes is that in 1988 the foreign controlled share of assets was 2.6 percentage points higher in the new series than the previous one, while for revenue it was 3.8 percentage points higher. In the new Current series definition of deposit accepting intermediaries, foreign control declined overall between 1988 and 1992 from 12.49% to 12.44%, while US control slipped from 2.25% to 1.18% and EC control (which mostly reflects the UK, and to a much lesser degree France) from 7.51% to 6.88%; all by assets.

[113] US control of deposit accepting institution assets did significantly increase over this 1983-1988 period, though by a much smaller amount than for the UK, and less than for Japan (Chart 2.7 on p. 36 of CALURA 1988.)

[114] Overall foreign control of deposit accepting institution assets was 10.6%, of revenue 18.8% and of profit 10.1% in 1988 (Historical series); up 4.2 percentage points and 5.1 percentage points for assets and revenue from 1983. (CALURA 1988, 15)

[115] Unfortunately we cannot go further into the effect of the recession on these issues here, although it touches directly on the two conceptions of Canada being discussed here. For example, for the modern incarnation of the dependency theorist, the nationalist FTA opponent, the loss of several hundred thousand manufacturing jobs in Ontario between 1990 and 1992 was directly attributable to this trade treaty (e.g.: "... The Agreement has now been in effect for two and half years. Much of what labour predicted has come to pass. The Tory government has accelerated privatization, deregulation and changes to the fiscal structure - taxes and expenditures - which benefit corporations and wealthy individuals, on the grounds that such measures are required to improve Canada's ability to compete with the US for corporate investment. As well the federal government has begun to revise social-welfare programs - such as unemployment insurance - to bring them in line with - inferior - programs in the US....Moreover and more importantly, there has been a major *relocation* of 250,000 to 300,000 manufacturing jobs to the US from Canada (mainly Ontario). This *transfer* of production and jobs has been accompanied by a significant appreciation in the Canadian dollar...resulting from a widening of interest rate differentials between the two countries since the deal was concluded in 1987..." (Black, 1992, 90, emphasis added). Some FTA opponents later (finally) acknowledged that a portion of the job loss was due to the (international) recession (see e.g. Barlow, 1993) but argued that proof of a *major* part of the responsibility lay on the FTA by the fact that many of the jobs disappeared *before* the onset of the recession; that these were *due* to the FTA. This novel definition (a recession is something other than a significant decline in production and employment) hardly improves the argument, however. While the recession in Canada was more severe than in the US by comparison with previous recessions (in 1981-82 the number of all job losers in the US was 10 times that in Canada, while for the 1990-1992 recession they were 5 times as high), the pattern of job losses peaking *early* in these periods are very similar (see G. Picot, G. Lemaitre, P. Kuhn, "Labour markets and layoffs during the last two recessions", Canadian Economic Observer, March 1994, p. 4.1- 4.13 (Cat. No. 11-010). Industry in Ontario has taken a bad beating, but suggestions that this is *principally* due to the FTA should be checked out against the rust belts running through the industrial heartland of the US.

[116] The authors of this article note that merger and acquisition activity tends to come in waves every 9 or 10 years, with peaks (troughs) in 1961 (1963), 1969 (1975), 1979 (1980) and 1988. Each wave has tended to be greater than the previous one; the latest is the largest ever in both size and by foreign participation (McMechan (1992, 3.2).

[117] Note that this calculation is based on the 1988 year rather than the actual, year by year, percentage point change in foreign control of assets.

[118] Statistics Canada released another CALURA catalogue after this study was completed, with additional information on foreign control, in particular that due to merger and acquisition (M & A) activity (Statistics Canada (1994a). It essentially

confirms the patterns noted above, and notes that changes in foreign control of corporate assets and revenues due to M & A activity in 1993 were negligible (about $1.2 billion each, or around 0.1%); that EC countries have recently divested more firms than they acquired; that US firms rebounded from recent losses in their share of M & A activity; and Pacific Rim countries continued instead to rely on internal growth or 'greenfield entries' (new investment) for corporate expansion in Canada. When different rates of Canadian and foreign *internal* corporate growth are considered, little effect on the *actual* level of foreign control is expected for 1993. The small volume of M & A activity by US controlled firms in 1993 is also estimated to have a negligible impact on the US share of corporate assets and revenues in that year, although the final figures are not yet available.

[119] It may be noted that the proportion of foreign control of all listed leading enterprises down to the top 1000 is greater than the average for all non-financial enterprises when both the ranking by size is by revenue *and* the value of control is by revenue rather than assets (see Table 2 on p. 128 of CALURA 1988).

CALURA 1989-1992 provides estimates of foreign control for 1988 on the Current series basis, and which also include the real estate industry. The results here for 1988 are a little different - foreign control of assets of the leading 25 non-financial industry enterprises is about 14.8% (compared to 18.8% above) and foreign control by revenue is 35% (compared to 40% in the case above). When the leading 25 enterprises are ranked by assets (accounting for 33.7% of all assets and 15.6% of all revenue) the foreign share in 1992 was 14.5 % by assets and 33.3 % by revenue (calculated from Text Table 4.1 on p. 49 of CALURA 1989-1992.

[120] Unfortunately the CALURAs do not list the top enterprises by name. However, it may be possible to determined the composition of these groups quite easily by referring to the Intercorporate Ownership catalogue (Statistics Canada, 1993c), where enterprises are listed by size. Since this source also provides information on the industrial classification of each enterprise it would be a useful source for further detailed study of foreign control of the economy.

[121] Figures are converted to Historical series basis in Table 5 in the Appendix

[122] The definition of FDI is further discussed below in the section on comparisons with other countries.

[123] The direct investment portion of all external liabilities has been generally declining since the mid 1960s. (Laliberte, Lucie (1993), "Globalization and Canada's International Investment Position", Canadian Economic Observer, April 1993, p. 3.6 (Cat. 11-010). One effect of the increase in foreign portfolio investment has been to decrease Canada's dependence on the US as a capital source, as the US share of foreign held bonds has declined from 80% of the total in the early 1980s to a low of 28% in 1989 . The major

new source of portfolio capital has been Japan, with 26% of the foreign total in 1989 (Ibid., 3.10). 35% of total Canadian liabilities with the US are direct investment; while FDI in the US accounts for 46% of all assets (Statistics Canada, 1994, 56, 57).

[124] Canadian direct investment broad prior to 1969 excludes investments abroad by wholly-owned Canadian subsidiaries of foreign corporations; after 1969 an equal and offsetting amount was entered as foreign direct investment in Canada, leaving the net international position unaffected. Prior to 1983 this figure also excludes the equity investment abroad of Canadian chartered banks. (Statistics Canada, 1993b, 271). Foreign direct investment in Canada since 1983 also includes the previously separate "non-resident equity in Canadian assets abroad" (Ibid.).

[125] Extreme values in the early 30s are excluded from this Figure, and are obviously due to the sharp drop in the size of GDP due to the Great Depression rather than large increases in the volume of direct investment. The graph drops to zero in 1992 because no data is available.

[126] Hurtig reported that 24.6% of Canadian foreign investment was foreign owned or controlled in 1987 (Hurtig, 1991, 82).

[127] The author of this source also notes that a portion of the recent change is also due in part to large Canadian real estate and merchandising write-downs, and the restructuring of certain US corporations which has lead to investments in third countries being transferred to the books of Canadian subsidiaries. 95% of the 45 billion increase in Canadian direct investment abroad from 1986-1992 was financed with new outflows of capital coming from Canada. Another glimpse of the foreign share of FDI is that the average *size* of FDI by Canadian controlled enterprises is $77 million while that of foreign controlled is a smaller $43.4 million (Chow, 1993, 4.9).

[128] For example, the proportion of "minority owned manufacturing affiliates of US TNCs is reported to be just over 25% by assets and under 25% by sales in 1989, according to United Nations, World Investment Report 1993, Vol. 3, Developed Countries, New York, p. 75.

[129] In OECD citations, Canadian data is listed as excluding reinvested profits.

[130] These kinds of issues are not unique to FDI, but apply to almost all international economic comparisons. While they provide guidelines for national data, international agencies like the UN or OECD do not normally correct each country's National Accounts data in their standard publications of economic data; the result is there is a "black hole" in aggregate national accounts of some 50 to 100 billion dollars per year (Julius, 1990).

[1]26 Other recent author's figures on comparable rates of foreign control are reproduced below. While they do not list their source, or often the year in question, they appear to be drawn from similar sources and years as those above:

Other estimates of foreign economic control (percentage shares):						
	Canada	France	Germany	Italy	UK	US
manufacturing employment		27	18	1	20	7
total sales	*25.4*	21	13	1	14	10
total assets	*20.8*		17	1	14	9
Source: Table 1.9 on p. 33 of Graham and Krugman (1991)						
Figures for (Canada) are the most comparable measures found in CALURA 1988 or CALURA 1989-1992, for the year 1988 (historical basis).						
	Canada	France	Germany	Japan	UK	US
sales, all large companies						10
sales, all industries	*25.4*			1		
sales, all non-financial sectors	*25.6*		19			
sales, manufacturing					19	
sales, manufacturing and petroleum		27				
employment, all industries			8	1		4
employment, manufacturing					13	
employment, manufacturing and petroleum		20				
exports		32	24	2	30	23
imports		34		15		
1980-88 cumulative inward FDI flow / 1989 GDP *		6.862	7.105	4.053	27.37	7.092
1961-1988 cumulative FDI inflows / GDP **	*0.11*	0.062	0.09	0.055	0.333	0.082
Source: Table 3.2 on p. 45 of Julius (1990), Global Companies and Public Policy, Pinter Publishers, London.						
Figures for (Canada) are the most comparable measures found in CALURA 1988 or CALURA 1989-1992, for the year 1988 (historical basis).						
* calculated from cumulative totals by Julius and 1989 GDP at 1985 prices, from p. 213 of International Combativeness Report, 1991.						

132 In Figures 21 and 22 data is not available for some countries and they are listed after those for whom data is available; obviously this may not be their correct order.

133 Julius' data for foreign owned firms show shares of 19% by sales in German non-financial industries, and UK manufacturing industries; and 27% of French manufacturing and petroleum; 13% and 20% of employment in UK and French manufacturing; and 13% and 19% in investment by all large UK corporations and 19% of investment in French manufacturing. The FOF share of all exports in US, Germany, the UK and France varied between 23% for the US and 32% for France (Julius, 1990).

134 An extreme value for Portugal (almost 1000) has been cut off in Figure 25.

135 Partial evidence that the much demonized FTA is not a major factor here is suggested by the fact that the much larger forces which govern these trends obviously began their work years before the latter's 1989 implementation.

136 Statistics Canada released another catalogue after this study was completed focusing on the effect of mergers and acquisitions on foreign control (Statistics Canada, 1994a). While noting that the final data for 1993 is not yet available, it projects a "negligible" increase in foreign control due to mergers and acquisitions (mainly by US firms), and "little effect" on the overall actual levels of foreign and US control of corporate assets and revenues (Ibid.).

137 The significance of one or other level of foreign control for the advanced capitalist position has not been discussed in the study. Carroll (1986) agrees with McNally (1981) and others that Canada may be thought of as an early example of a larger trend to interpenetration among advanced capitalist countries. No one would dispute that Canada is a second rank power in the world economy which suffers from US pressures; the current trade 'war' occurring (lumber, wheat, fish, beer etc.) - despite an official 'free trade' regime is ample evidence. The issue is whether Canada is simply a weaker imperialist *rival* or a semicolonial *victim.*

138 An example of how the characterization of the context of social and economic problems determines major aspects of the policy solutions advanced is how the two general perspectives above approached the crisis in the forest industry in B.C. in the early 1980s.

At this time, mass unemployment and the closure of whole forest communities resulted from i) the effects of an internationally synchronized recession, ii) widespread introduction of labour-saving technology into the forest industry, and iii) the beginnings of 'fall down' in the public timber stocks under the control of a few corporate giants. In this context the major policy response by the labour and social democratic leadership was to propose the banning of raw log exports.

These leaders widely argued that log exports were at the root of major social and economic problems being experienced. Even when that argument couldn't be sustained by close reference to the facts (log exports never represented more than a few percentage points of the annual allowable cut), labour and NDP (a social democratic labour party) leaders proposed that the most important measure required to stop mill closures and "put woodworkers back on the job" was to stop logs from being exported for processing in the US, Japan, Korea, China, etc.

By saving "BC" logs for "BC" workers, more value-added forestry manufacturing would develop, local mill machinery suppliers would prosper, the rate of alcoholism would decline - in other word, variations on dependency approaches to Canada's economic and social order. In place of even the previous mild social-democratic policy positions of the main woodworkers union, the IWA (International Woodworkers of America) on such issues as reform of forest tenure and partial nationalization of the industry, a single orientation came to dominate the union's effort: lobbying the government to ban log exports. As in other examples of nationalist solutions that regularly emerge from dependency perspectives, the origin of the social and economic problems was not the operation of Canadian capitalism but of foreign capitalism; in other words not capitalism at all, but foreigners.

While this approach completely dominated Labours' and the NDP's response to the crisis in the forest industry and the province as a whole, another perspective within the IWA and NDP did advance planning proposals (for both collective bargaining and political action) that reflected a characterization of Canada as an advanced capitalist country, aimed at both addressing the immediate needs of woodworkers and pointing towards longer term solutions.

One element of this counter program was that the growing labour productivity in the logging camps and sawmills be matched by workers accumulating banked time to be taken off at periodic intervals, i.e. to reduce the average work week and preserve jobs. It also proposed measures to relieve the forestry corporations of their monopoly control on the public resource, and called for massive regeneration of the NSR (not satisfactorily restocked) areas logged over the previous decades. In place of blaming Japanese or Korean workers for the loss of BC mill jobs, it advocated affirmative action hiring of natives and women to overcome historic divisions among workers.

In other words these proposals took the domestic capitalist economy as their starting point and rejected the idea that the problems requiring attention originated somewhere else, or that they could be ameliorated by "protecting" the Canadian economy, in other words protecting Canadian corporations. Rather, they aimed at protecting working people from these corporations.

Ten years later, this author believes the results of the single minded campaign to ban log exports are uniformly negative. One outcome partly linked to this approach was the split by the majority Canadian wing of the IWA from its US section, as workers in other countries became characterized as part of the problem rather than part of the solution. The almost exclusive concentration on log exports contributed to the profound retreat of the forestry unions from any progressive response to technological change and employment. Over this period, the union ranks have decreased by at least a third while their physical output has more than doubled.

Stopping raw log exports certainly diverted broad attention away from the larger issue of the profit-driven organization of the forestry resource by the corporate giants for almost a decade. This has undoubtedly contributed to the wedge driven between forestry workers and the emerging environmental movement, social forces who should be natural allies. The woodworkers' union leadership, who yesterday blamed foreign demand for for threateneing jobs now focussed blame on spotted owls and hippy environmentalists; in the meanwhile the forest companies have regularly set new records in the rate of depleting the remaining first growth timber stocks.

The campaign to stop raw log exports in B.C. only occasionally referred to foreign ownership of the forest industry; more often it raised the issue of out-of-province control (which simply refracts the image of the Canadian semi-colony of the US to that of B.C. relative to 'Eastern Canada'). And while many environmentalists supported the log export ban for conservation reasons, that was never a serious basis for the campaign. The reason this example aptly illustrates the relevance of this study on the socio-economic characterizations that underpin Canadian nationalism is that the focus on external influences successfully detracted from attention on the agents really responsible for the problem, and thus the target for possible solutions, i.e. the large private forest companies and the provincial/federal governments.

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Appendix

Table 1: Foreign investments in Canada, 1992.		
	$amount (billions)	% of total in Canada
Non-financial industries		
capital employed owned	188.754	33
capital employed controlled	164.581	28
assets controlled	271.777	24.3
revenue controlled	290.741	28.32
equity controlled	103.987	29.96
All industries		
assets controlled	464.224	20.79
revenue controlled	325.186	27.65
equity controlled	127.755	28.39
inward FDI	136.662	19.88 (of GDP)
(outward FDI)	98.993	14.40 (of GDP)
FDI/total equity		30.36
Source: for assets, revenue, equity and profits, P. 93-95 of Statistics Canada (1993a). For capital employed, FDI and GDP, p.53,54, 225, 232, and 267 of Statistics Canada (1993b).		

Table 2: Foreign and US control of capital employed in non-financial industries, 1926-1992 (percentage share)

year	foreign owned	foreign controlled	foreign controlled (current series)	US owned	US controlled	US controlled (Current Series)
1926	37	17		19	14	
30	39	19		23	17	
39	38	21		22	18	
48	32	24		23	22	
51	31	27		24	24	
52	32	27		24	23	
53	32	27		25	24	
54	32	28		25	25	
55	33	31		25	26	
56	34	31		26	26	
57	34	32		26	27	
58	34	32		26	26	
59	34	32		26	26	
60	34	33		27	26	
61	35	33		27	26	
62	35	34		28	27	
63	35	34		28	27	
64	35	34		28	27	
65	35	34		29	27	
66	36	34		29	27	
67	35	35		29	28	
68	35	35		29	28	
69	35	35		29	28	
70	35	36		29	28	
71	34	36		28	27	
72	34	35		28	26	
73	34	34		28	26	
74	34	33		27	26	
75	34	33		27	25	
76	35	31		27	24	
77	35	30		27	24	
78	35	28		27	22	
79	35	28		27	21	
80	34	27		27	21	
81	33	25		25	19	
82	34	24		24	18	
83	33	24		23	18	
84	33	24		23	18	

85	33	24		22	17	
86	31	23		21	16	
87	32	24		20	16	
88	29	26	26.22	18	17	16.25
89	29	27	26.44	18	17	15.97
90	31	28	26.85	19	18	15.53
91	33	28	26.92	20	17	15.44
92		28	27.11		17	15.55
93						
94						
Source: Table 75 on p. 226 and 232 of Statistics Canada (1993), Canada's International Investment Position, Historical Statistics, 1926-1992.						
For the 1988-92 current series data, Table 1.18 on p. 93 of CALURA 1989-1992.						

Table 4: Foreign and US control of equity and profits, non-financial industries, 1965-1992 (percentage shares)

year	foreign controlled equity	US controlled equity	Foreign controlled profits	U.S.controlled profits
1965	36.20	28.70	43.30	37.20
66	37.30	29.40	41.20	35.20
67	38.60	30.30	39.10	33.30
68	41.50	33.20	44.80	38.90
69	42.60	34.20	46.80	40.60
70	43.90	34.10	46.60	39.40
71	44.80	34.90	46.40	39.10
72	42.30	32.30	44.80	36.70
73	42.20	32.30	43.60	35.10
74	41.20	32.00	44.60	35.10
75	40.10	31.90	45.30	37.60
76	39.60	31.20	45.00	38.00
77	39.50	31.70	44.80	38.20
78	36.80	29.10	36.90	31.00
79	38.30	30.70	38.80	32.10
80	36.10	28.40	38.40	30.40
81	33.60	26.20	35.30	28.80
82	32.70	25.30	40.90	35.10
83	33.00	25.50	43.30	38.50
84	32.40	25.00	43.20	37.20
85	31.00	23.60	41.40	35.70
86	31.00	22.90	35.90	30.40
87	31.30	21.80	31.30	24.10
88	29.72	18.75	30.63	21.55
89	29.30	17.48	30.81	21.58
90	30.50	17.04	31.66	21.10
91	29.91	17.33	28.70	21.93
92	29.96	17.29	28.14	20.20
93				
94				

Sources: For 1965-1987, from Table 1 on p. 126-127 in CALURA 1988
For 1988-1992, from Table 1.18 on p. 93 of CALURA 1989-1992.
(Note: the first is the Historical series, and the second the Current series, so that for the latter period this chart is not strictly comparable to Table 6 where the data for this period has been converted to the Historical series basis)

Table 5: Conversion of 1988-1992 Current Series values to pre-1988 Historical series basis

year	Historical series	Current series	1988 Ratio	Converted values	Historical series	Current series	1988 Ratio	Converted values
NON-FINANCIAL INDUSTRIES								
Foreign controlled assets					Foreign controlled revenue			
1988	26.20		1.10586		26.94		1.05289	
1988		23.69	1.10586	26.1953		25.59	1.05289	26.9435
1989		24.12	1.10586	26.6734		25.76	1.05289	27.1225
1990		24.31	1.10586	26.8835		26.50	1.05289	27.9016
1991		24.04	1.10586	26.5849		27.35	1.05289	28.7966
1992		24.30	1.10586	26.8725		28.32	1.05289	29.8179
US controlled assets					US controlled revenue			
1988	17.2519		1.14737		18.7108		1.04399	
1988		15.04	1.14737	17.2519		17.92	1.04399	18.7108
1989		14.84	1.14737	17.027		17.69	1.04399	18.4682
1990		14.41	1.14737	16.5336		17.67	1.04399	18.4473
1991		14.16	1.14737	16.2468		18.03	1.04399	18.8231
1992		14.43	1.14737	16.5566		18.85	1.04399	19.6792
FINANCIAL INDUSTRIES								
Foreign controlled assets					Foreign controlled revenue			
1988	15.40		0.87586		20.35		0.83942	
1988		17.58	0.87586	15.3992		24.24	0.83942	20.3496
1989		17.88	0.87586	15.6604		23.48	0.83942	19.7097
1990		17.85	0.87586	15.6342		23.06	0.83942	19.3571
1991		17.39	0.87586	15.2313		22.99	0.83942	19.2983
1992		17.24	0.87586	15.0999		23.05	0.83942	19.3487
ALL INDUSTRIES								
Foreign controlled assets					Foreign controlled revenue			
1988	20.1537		0.96759		25.6878		1.00949	25.6878
1988		20.83	0.96759	20.1537		25.45	1.00949	25.742
1989		21.17	0.96759	20.484		25.50	1.00949	26.3175
1990		21.20	0.96759	20.513		26.07	1.00949	27.0342
1991		20.78	0.96759	20.1066		26.78	1.00949	27.9125
1992		20.79	0.96759	20.1163		27.65	1.00949	

Notes:
The Non-financial industries figures for 1988 do not include the real estate industry. The difference with the 1988-1992 Current series thus include both the addition of the real estate industries, and the other methodological changes.

The Financial industries Historical series value for 1988 does not include the real estate or holding and investment companies industries, as this change from previous catalogues was projected back to 1983 in CALURA 1989-1992.								
The All industries series both exclude the investment and holding companies industries.								
Sources:								
For Non-financial industries - Table 1 on pp 126-127 of CALURA 1988 and Tables 3.1 on p. 34 and 1.18 on p. 93 of CALURA 1989-1992								
For Financial industries - Tables 2.2 and 1.19 on pp 27 and 94 of CALURA 1988-92.								
For All industries - Tables 1.1 and 1.20 on pp. 14 and 95 of CALURA 1989-1992.								

Table 6: Foreign and U.S. control of assets and revenues in Canada (percentage share)					
NON-FINANCIAL INDUSTRIES					
year	foreign share of assets	US share of assets		foreign share of revenues	US share of revenues
1965	30.70	23.70		33.20	26.50
66	31.70	24.30		33.80	26.70
67	32.80	24.90		33.60	26.50
68	35.30	27.70		35.50	28.80
69	35.10	27.50		36.00	29.20
70	36.50	27.50		37.00	28.40
71	37.00	27.40		37.60	29.30
72	34.90	25.30		36.50	28.10
73	34.40	24.80		36.50	27.70
74	33.60	24.90		36.70	27.90
75	32.30	24.50		35.50	28.10
76	30.50	22.90		34.50	27.40
77	30.40	22.80		34.80	27.70
78	28.80	21.40		33.50	26.20
79	28.90	21.50		33.60	26.10
80	27.40	20.30		31.70	24.10
81	25.50	18.80		29.20	21.90
82	24.70	17.80		29.30	22.10
83	24.40	17.60		29.90	22.90
84	24.30	17.60		29.80	22.90
85	23.40	16.80		28.90	21.80
86	23.70	16.70		27.80	20.50
87	24.70	16.40		27.40	19.40
88	26.20	17.252		26.943	18.711
89	26.67	17.027		27.122	18.468
90	26.88	16.534		27.902	18.447
91	26.59	16.247		28.297	18.823
92	26.87	16.557		29.818	19.679
93					
94					

Source: For 1965-1987, Table 1 on p. 126-127 of CALURA 1988. For 1988-1992 see Table 5 in this Appendix..

Table 6 continued below

Table 6 (continued): Foreign and U.S. control of assets and revenues in Canada (percentage share)					
FINANCIAL INDUSTRIES					
year	foreign share of assets	US share of assets		foreign share of revenues	US share of revenues
83	11.80			16.8	
84	12.20			17.9	
85	14.20			18.8	
86	14.80			19.6	
87	15.40			20.2	
88	15.399	7.33		20.35	11.38
89	15.66	7.28		19.71	10.52
90	15.634	6.97		19.357	10.16
91	15.231	6.52		19.298	9.72
92	15.1	6.31		19.349	9.86
93					
94					
Source: For 1983-1987, Text Table 2.2 on p. 27 of CALURA 1989-92; for 1988-1992 see Table 5.					
ALL INDUSTRIES					
year	foreign share of assets	US share of assets	year	foreign share of revenues	US share of revenues
83	17.5			27.7	
84	17.7			28	
85	18.2			27.4	
86	18.4			26:2	
87	19.2			26.2	
88	20.154	15.04		25.688	17.92
89	20.484	14.84		25.742	17.69
90	20.513	14.41		26.317	17.67
91	20.107	14.16		27.034	18.03
92	20.116	14.32		27.912	18.85
93					
94					
Source: For 1983-1987, Text Table 1.1 on p. 14 of CALURA 1989-1992, for 1988-1992 see Table 5.					

Table 7: Canada's International Assets and Liabilities, 1926-1992 ($ billions)						
year	external assets	external liabilities	Canadian FDI abroad	Foreign FDI in Canada	Canadian FDI abroad / FDI in Canada	external assets / external liabilities
1926	1.2960	6.4030	0.3970	1.7820	0.2228	0.2024
30	1.4430	8.0140	0.4430	2.4270	0.1825	0.1801
33	1.4230	7.6650	0.4670	2.3520	0.1986	0.1856
39	1.8800	7.3880	0.6710	2.4140	0.2780	0.2545
45	4.0160	8.0670	0.7200	2.8310	0.2543	0.4978
46	4.2360	8.2880	0.7670	2.9600	0.2591	0.5111
47	4.1530	8.3220	0.8220	3.1260	0.2630	0.4990
48	4.7350	8.6380	0.7880	3.3990	0.2318	0.5482
49	5.3030	9.1140	0.9260	3.7100	0.2496	0.5819
50	5.9470	10.1860	0.9900	4.0980	0.2416	0.5838
51	5.9680	10.9450	1.1660	4.6420	0.2512	0.5453
52	6.4290	11.7860	1.2650	5.3580	0.2361	0.5455
53	6.6160	12.9610	1.4770	6.1770	0.2391	0.5105
54	6.9490	14.2860	1.6190	6.9600	0.2326	0.4864
55	7.1130	15.4380	1.7420	8.0100	0.2175	0.4607
56	7.4800	17.7980	1.8910	9.3140	0.2030	0.4203
57	7.8860	19.6600	2.0730	10.5380	0.1967	0.4011
58	8.2040	21.3970	2.1490	11.3710	0.1890	0.3834
59	8.4710	23.3760	2.2860	12.4640	0.1834	0.3624
60	8.9530	25.0550	2.4680	13.5830	0.1817	0.3573
61	9.6410	26.6470	2.5960	14.3910	0.1804	0.3618
62	10.1320	28.3020	2.7840	15.3800	0.1810	0.3580
63	10.9240	29.9140	3.0820	16.2760	0.1894	0.3652
64	12.5050	32.1860	3.2720	16.4730	0.1986	0.3885
65	12.9500	34.8370	3.4690	17.8640	0.1942	0.3717
66	13.9880	37.6990	3.7110	19.5500	0.1898	0.3710
67	14.9180	40.5540	4.0300	21.2870	0.1893	0.3679
68	16.8660	44.2980	4.6170	23.2340	0.1987	0.3807
69	19.1980	48.5740	5.2110	25.2410	0.2064	0.3952
70	21.9450	51.9990	6.1880	27.3740	0.2261	0.4220
71	23.4920	55.9990	6.5380	28.9890	0.2255	0.4195
72	24.8030	59.7120	6.7150	30.5630	0.2197	0.4154
73	27.9730	65.6390	7.8350	33.9770	0.2306	0.4262
74	31.5630	73.6450	9.2100	37.5570	0.2452	0.4286
75	33.8420	84.1880	10.5260	38.7280	0.2718	0.4020
76	38.0560	99.2290	11.4910	41.6230	0.2761	0.3835
77	42.4150	110.9450	13.5090	45.1320	0.2993	0.3823
78	49.5230	137.4010	16.4220	50.0890	0.3279	0.3604

79	43.5400	157.6490	20.4960	56.7850	0.3609	0.2762
80	66.6720	176.7040	26.9670	64.7080	0.4167	0.3773
81	84.3150	219.8700	33.8470	70.3270	0.4813	0.3835
82	92.9380	228.5320	35.5580	72.8140	0.4883	0.4067
83	100.2250	242.9760	39.8590	77.4130	0.5149	0.4125
84	116.1820	267.3660	47.4220	83.3850	0.5687	0.4345
85	126.1250	301.0990	54.1230	87.2260	0.6205	0.4189
86	139.3410	330.4770	58.4920	92.4010	0.6330	0.4216
87	155.1630	359.9760	66.7940	101.8430	0.6559	0.4310
88	173.1900	385.0920	72.1460	110.5450	0.6526	0.4497
89	188.3500	418.7960	80.7790	118.9580	0.6791	0.4497
90	209.1400	461.2800	87.8860	126.5880	0.6943	0.4534
91	223.3300	499.6870	94.4350	131.6300	0.7174	0.4469
92	239.2950	540.5840	98.9930	136.6220	0.7246	0.4427
93						
94						

Source: Table 1 on p. 53-54 of Statistics Canada (1993), Canada's International Investment Position, Historical Statistics, 1926-1992.

Table 8: Canada - US direct investment positions, 1926-1992 ($ billions)						
year	Canadian direct investment in the US ($billions)	US direct investment in Canada ($billions)	Canadian GDP at market prices ($billions)	Canadian direct investment in the US / US direct investment in Canada	US direct investment in Canada / GDP in Canada	Canadian direct investment in US / GDP in Canada
1926	0.25	1.403	5.354	0.1782	0.2620	0.0467
27	0.251	1.519	5.777	0.1652	0.2629	0.0434
28	0.257	1.662	6.279	0.1546	0.2647	0.0409
29	0.259	1.821	6.4	0.1422	0.2845	0.0405
30	0.26	1.993	6.009	0.1305	0.3317	0.0433
31	0.26	1.976	4.975	0.1316	0.3972	0.0523
32	0.26	1.956	4.079	0.1329	0.4795	0.0637
33	0.26	1.993	3.723	0.1305	0.5353	0.0698
34	0.262	1.89	4.186	0.1386	0.4515	0.0626
35	0.266	1.87	4.514	0.1422	0.4143	0.0589
36	0.32	1.844	4.879	0.1735	0.3779	0.0656
37	0.328	1.868	5.477	0.1756	0.3411	0.0599
38	0.356	1.875	5.523	0.1899	0.3395	0.0645
39	0.412	1.999	5.88	0.2061	0.3400	0.0701
40	0.412	2.064	6.987	0.1996	0.2954	0.0590
41	0.414	2.133	8.532	0.1941	0.2500	0.0485
42	0.42	2.203	10.497	0.1906	0.2099	0.0400
43	0.434	2.256	11.282	0.1924	0.2000	0.0385
44	0.448	2.351	12.086	0.1906	0.1945	0.0371
45	0.455	2.422	12.063	0.1879	0.2008	0.0377
46	0.5	2.562	12.167	0.1952	0.2106	0.0411
47	0.531	2.688	13.94	0.1975	0.1928	0.0381
48	0.588	2.936	15.969	0.2003	0.1839	0.0368
49	0.721	3.219	17.347	0.2240	0.1856	0.0416
50	0.775	3.549	19.125	0.2184	0.1856	0.0405
51	0.912	4.014	22.28	0.2272	0.1802	0.0409
52	0.962	4.661	25.17	0.2064	0.1852	0.0382
53	1.119	5.368	26.395	0.2085	0.2034	0.0424
54	1.231	5.969	26.531	0.2062	0.2250	0.0464
55	1.293	6.778	29.25	0.1908	0.2317	0.0442
56	1.394	7.798	32.902	0.1788	0.2370	0.0424
57	1.451	8.844	34.467	0.1641	0.2566	0.0421
58	1.44	9.504	35.689	0.1515	0.2663	0.0403
59	1.489	10.432	37.877	0.1427	0.2754	0.0393
60	1.618	11.21	39.448	0.1443	0.2842	0.0410
61	1.724	11.892	40.886	0.1450	0.2909	0.0422

62	1.786	12.661	44.408	0.1411	0.2851	0.0402
63	1.922	13.514	47.678	0.1422	0.2834	0.0403
64	1.967	13.308	52.191	0.1478	0.2550	0.0377
65	2.041	14.408	57.523	0.1417	0.2505	0.0355
66	2.1	15.942	64.388	0.1317	0.2476	0.0326
67	2.19	17.395	69.064	0.1259	0.2519	0.0317
68	2.546	18.975	75.418	0.1342	0.2516	0.0338
69	2.979	20.493	83.026	0.1454	0.2468	0.0359
70	3.273	22.054	89.116	0.1484	0.2475	0.0367
71	3.399	23.117	97.29	0.1470	0.2376	0.0349
72	3.433	24.305	108.629	0.1412	0.2237	0.0316
73	3.926	26.919	127.372	0.1458	0.2113	0.0308
74	4.769	29.87	152.111	0.1597	0.1964	0.0314
75	5.559	30.506	171.54	0.1822	0.1778	0.0324
76	6.092	32.726	197.924	0.1862	0.1653	0.0308
77	7.116	35.595	217.879	0.1999	0.1634	0.0327
78	8.965	39.352	241.604	0.2278	0.1629	0.0371
79	12.165	44.006	276.096	0.2764	0.1594	0.0441
80	16.781	50.368	309.891	0.3332	0.1625	0.0542
81	22.356	53.777	355.994	0.4157	0.1511	0.0628
82	23.781	54.457	374.442	0.4367	0.1454	0.0635
83	26.576	58.446	405.717	0.4547	0.1441	0.0655
84	32.151	63.355	444.735	0.5075	0.1425	0.0723
85	37.074	66.013	477.988	0.5616	0.1381	0.0776
86	39.424	67.025	505.666	0.5882	0.1325	0.0780
87	43.365	71.806	551.597	0.6039	0.1302	0.0786
88	46.497	73.71	605.906	0.6308	0.1217	0.0767
89	50.341	78.217	649.916	0.6436	0.1203	0.0775
90	52.8	80.931	667.843	0.6524	0.1212	0.0791
91	54.639	83.775	674.388	0.6522	0.1242	0.0810
92			687.334			
93						
94						

Source: For Canadian investment in the US, Tables 9 on p 68 of Canada's International Investment Position, Historical Statistics, 1926-1992. For US investment in Canada, Table 29 on p. 101 of Ibid. For GDP, Table 90 on p. 266-267 in Ibid.

Table 9: Foreign share of Canadian investment abroad

year	Canadian direct investment abroad ($billions)	Total Canadian assets abroad ($billions)	Non-resident equity in Canadian assets abroad ($billions)	Foreign controlled share of Canadian Direct Investment Abroad (%)	Non-resident equity in assets abroad / Canadian direct investment abroad (%)	Non resident equity in Canadian assets abroad / total Canadian assets abroad (%)
1939	0.7	1.9	0.2		28.57	10.53
45	0.7	4	0.2		28.57	5.00
60	2.5	8.9	1.1		44.00	12.36
65	3.5	12.9	1.6		45.71	12.40
66						
67						
68						
69				37		
70	6.2	22	2.8	35	45.16	12.73
71				29		
72				19		
73						
74						
75	10.5	33.8	3.9	21	37.14	11.54
76	11.5	37.9	4		34.78	10.55
77	13.5	42.2	4.7		34.81	11.14
78	16.4	49.2	5.5		33.54	11.18
79	20.5	57.3	7.7		37.56	13.44
80	27	69.9	9.8	17	36.30	14.02
81	33.8	88.4	10.8		31.95	12.22
82	35.6	96.7	11.4		32.02	11.79
83	37.8	102.7	12.3		32.54	11.98
84	44.1	119.6	12.5		28.34	10.45
85	50.2	128.9	15		29.88	11.64
86	53.2	138	15.8	12	29.70	11.45
87						
88						
89				16		
90						
91				18		
92						
93						
94						

Source: For foreign controled share of direct investment, Table 2, on p. 4.6, Chow (1993)

For non-resident equity, direct investment and total assets abroad, Table 1 on p. 42 of Canada's International Investment Position, 1988-90 (1991), and p.28-29 of Ibid, 1986 (1989).

Table 10: Measures of foreign control in Canada, 1926-1992							
year	foreign controlled assets, nonfinancial industries (% share)	foreign control of assets, all industries, (% share)	foreign controlled capital employed, nonfinancial industries (% share)	foreign controlled equity, non financial industries (% share)	inward FDI stock ($billions)	GDP at market prices ($billions)	FDI/GDP (% ratio)
1926			17		1.782	5.354	33.2835
27						5.777	
28						6.279	
29						6.400	
30			19		2.427	6.009	40.3894
31						4.975	
32						4.079	
33					2.352	3.723	63.1749
34						4.186	
35						4.514	
36						4.879	
37						5.477	
38						5.523	
39			21		2.414	5.880	41.0544
40						6.987	
41						8.532	
42						10.497	
43						11.282	
44						12.086	
45					2.831	12.063	23.4685
46					2.96	12.167	24.3281
47					3.126	13.940	22.4247
48			24		3.399	15.969	21.2850
49					3.71	17.347	21.3870
50					4.098	19.125	21.4275
51			27		4.642	22.280	20.8348
52			27		5.358	25.170	21.2872
53			27		6.177	26.395	23.4022
54			28		6.96	26.531	26.2335
55			31		8.01	29.250	27.3846
56			31		9.314	32.902	28.3083
57			32		10.538	34.467	30.5742
58			32		11.371	35.689	31.8614
59			32		12.464	37.877	32.9065
60			33		13.583	39.448	34.4327
61			33		14.391	40.886	35.1979
62			34		15.38	44.408	34.6334
63			34		16.276	47.678	34.1373

64			34		16.473	52.191	31.5629
65	30.70		34	36.20	17.864	57.523	31.0554
66	31.70		34	37.30	19.55	64.388	30.3628
67	32.80		35	38.60	21.287	69.064	30.8221
68	35.30		35	41.50	23.234	75.418	30.8070
69	35.10		35	42.60	25.241	83.026	30.4013
70	36.50		36	43.90	27.374	89.116	30.7173
71	37.00		36	44.80	28.989	97.290	29.7965
72	34.90		35	42.30	30.563	108.629	28.1352
73	34.40		34	42.20	33.977	127.372	26.6754
74	33.60		33	41.20	37.557	152.111	24.6905
75	32.30		33	40.10	38.728	171.540	22.5767
76	30.50		31	39.60	41.623	197.924	21.0298
77	30.40		30	39.50	45.132	217.879	20.7142
78	28.80		28	36.80	50.089	241.604	20.7319
79	28.90		28	38.30	56.785	276.096	20.5671
80	27.40		27	36.10	64.708	309.891	20.8809
81	25.50		25	33.60	70.327	355.994	19.7551
82	24.70		24	32.70	72.814	374.442	19.4460
83	24.40	17.5	24	33.00	77.413	405.717	19.0805
84	24.30	17.7	24	32.40	83.385	444.735	18.7494
85	23.40	18.2	24	31.00	87.226	477.988	18.2486
86	23.70	18.4	23	31.00	92.401	505.666	18.2731
87	24.70	19.2	24	31.30	101.843	551.597	18.4633
88	26.20	20.154	26	29.72	110.545	605.906	18.2446
89	26.67	20.484	27	29.30	118.958	649.916	18.3036
90	26.88	20.513	28	30.05	126.588	667.843	18.9548
91	26.59	20.107	28	29.91	131.63	674.388	19.5184
92	26.87	20.116	28	29.96	136.622	687.334	19.8771
93							
94							
Sources: For capital employed, see Table 2. For assets, see Table 6. For equity see Table 4. For FDI see Table 7. For GDP see Tabel 8.							

Table 11: FDI measures of foreign ownership/control, OECD countries

	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany
inward FDI stock / GDP	26.00	5.50	16.10	18.70	6.60	3.40	4.90	5.50
outward FDI stock / GDP	9.60	1.10	13.10	12.90	7.40	6.70	7.10	9.20
FDI inflow / gross domestic capital formation	10.40	6.50	18.10	4.00	2.90	1.60	3.80	1.20
FDI ouflow / gross domestic capital formation	2.60	1.90	16.50	3.70	6.30	8.80	7.00	6.00
	Greece	Ireland	Italy	Japan	Netherlands	New Zealand	Norway	
inward FDI stock / GDP	23.20	5.30	5.30	0.60	22.20	7.80	2.80	
outward FDI stock / GDP	n/a	4.60	4.60	9.80	35.30	5.60	3.10	
FDI inflow / gross domestic capital formation	14.70	2.70	2.70	0.30	11.60	1.70	3.70	
FDI ouflow / gross domestic capital formation	0.40	2.00	2.00	6.20	21.60	2.70	5.20	
	Portugal	South Africa	Spain	Sweden	Switzerland	UK	US	
inward FDI stock / GDP	5.10	13.10	10.20	4.10	13.80	19.40	7.40	
outward FDI stock / GDP	0.50	9.10	2.20	13.80	28.00	23.10	7.80	
FDI inflow / gross domestic capital formation	4.50	0.10	2.40	4.20	2.90	13.1	6.60	
FDI ouflow / gross domestic capital formation	0.40	0.00	0.50	27.30	12.70	23.6	2.80	

Source: Table 1 in United Nations (1993), World Investment Directory, Vol. 3 Developed Countries, New York.

Note: Most FDI stock data is for 1990 to 1992; most FDI inflows are for 1987 or 1988 to 1989 or 1990.