29079

National Library
of CanadaBibliothèque nationale
du CanadaCANADIAN THESES
ON MICROFICHETHÈSES CANADIENNES
SUR MICROFICHE

NAME OF AUTHOR/NOM DE L'AUTEUR Wallace Clement

TITLE OF THESIS/TITRE DE LA THÈSE Continental Capitalism: Economic Elite Relations
Between Canada and the United States

UNIVERSITY/UNIVERSITÉ Carleton

DEGREE FOR WHICH THESIS WAS PRESENTED/
GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE PhD

YEAR THIS DEGREE CONFERRED/ANNÉE D'OBTENTION DE CE GRADE 1976

NAME OF SUPERVISOR/NOM DU DIRECTEUR DE THÈSE Dr. John Porter

Permission is hereby granted to the NATIONAL LIBRARY OF CANADA to microfilm this thesis and to lend or sell copies of the film.

The author reserves other publication rights, and neither the thesis nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

L'autorisation est, par la présente, accordée à la BIBLIOTHÈQUE NATIONALE DU CANADA de microfilmer cette thèse et de prêter ou de vendre des exemplaires du film.

L'auteur se réserve les autres droits de publication; ni la thèse ni de longs extraits de celle-ci ne doivent être imprimés ou autrement reproduits sans l'autorisation écrite de l'auteur.

DATED/DATE November 26, 1976 SIGNED/SIGNÉ Wallace Clement

PERMANENT ADDRESS/RÉSIDENCE FIXE Department of Sociology
McMaster University
Hamilton

INFORMATION TO USERS

THIS DISSERTATION HAS BEEN
MICROFILMED EXACTLY AS RECEIVED

This copy was produced from a microfiche copy of the original document. The quality of the copy is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

PLEASE NOTE: Some pages may have indistinct print. Filmed as received.

Canadian Theses Division
Cataloguing Branch
National Library of Canada
Ottawa, Canada K1A 0N4

AVIS AUX USAGERS

LA THESE A ETE MICROFILMEE
TELLE QUE NOUS L'AVONS RECUE

Cette copie a été faite à partir d'une microfiche du document original. La qualité de la copie dépend grandement de la qualité de la thèse soumise pour le microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

NOTA BENE: La qualité d'impression de certaines pages peut laisser à désirer. Microfilmée telle que nous l'avons reçue.

Division des thèses canadiennes
Direction du catalogage
Bibliothèque nationale du Canada
Ottawa, Canada K1A 0N4

CONTINENTAL CAPITALISM:
CORPORATE POWER RELATIONS BETWEEN CANADA AND THE U.S.

by

Wallace Clement

A thesis submitted to the Faculty of
Graduate Studies in partial fulfillment
of the requirements for the degree of
Doctor of Philosophy.

Department of Sociology and Anthropology
Carleton University
Ottawa, Ontario

August 18, 1976

© Wallace Clement 1976.

The undersigned recommend to the Faculty
of Graduate Studies acceptance of the thesis:

"CONTINENTAL CAPITALISM:
CORPORATE POWER RELATIONS BETWEEN CANADA AND THE U.S."

submitted by Wallace Clement
in partial fulfillment of the requirements for
the degree of Doctor of Philosophy.

.....
Thesis Supervisor

.....
Chairman, Dept. of Sociology

Carleton University
September 8, 1976

ABSTRACT:

"Continental Capitalism:
Corporate Power Relations Between Canada and the U.S."

Wallace Clement

To understand the internal structure of corporate power in Canada, it is necessary to look beyond its political boundaries to the larger world system of which it is a part. Specifically, it is important to examine the nature of its relationship with the U.S. The contemporary structure and characteristics of the Canadian economic elite are the product of its initial colonial ties with the United Kingdom and its contemporary place within the United States sphere of influence. Following a historical review of Canada's relations within the North Atlantic triangle, the relationship between Canada, the U.S. and Latin America are examined to gain an understanding of the nature of foreign direct investment and multinational corporations. Canada's peculiar 'go-between' role in the world system is analysed and Latin American dependency theory evaluated in terms of its applicability to Canada. Contemporary relations between 194 dominant U.S. corporations and Canada are analysed and corporate interlocks within and between these corporations and 113 dominant Canadian corporations are compared. The economic elites of both countries are compared in terms of their social and corporate characteristics (U.S. elite, n=2,007; Canadian elite, n=798). The relationship between these two elites is then examined in the continental context, focusing on different elite fractions in Canada. In addition to the elite level of the continental relationship, there is also an analysis of immigrations statistics for the category manager and a survey of Canadian born U.S. resident managers (n=302). Finally, the implications of the continental economy are examined for Canadian society.

ACKNOWLEDGEMENTS

I have actively been pursuing this study since the Spring of 1972 when its broad outlines were first sketched. Since then, I have published a kind of interim statement on part of this work, The Canadian Corporate Elite: An Analysis of Economic Power, which attempted to update and expand certain aspects of John Porter's The Vertical Mosaic. Well before I completed that work, I knew the present study was needed. It is no longer possible to provide an adequate understanding of the power structure of Canadian corporations without expanding the horizons of the study outside into the United States and, to a limited extent, beyond. I am now satisfied that this work is complete, at least in its broad outlines, and now needs to be developed through more detailed case studies of particular companies, industries and decisions. This will now require development of alternative methodologies and approaches to the problem. There are limits to the 'power' perspective inherent in elite studies, for they only focus on one dimension of inequality. If the implications of the particular kind of power structure characteristic of Canadian society are to be fully explored, it is necessary to turn directly to those affected. This will require doing a class analysis of Canadian society that takes into account the concentrated and exclusive structure of power this study finds. It will also have to take into account the realities of extensive foreign control in Canada's productive sectors, for both have shaped the contemporary labour force.

For their help with this study, I would like to acknowledge the assistance of many people. I thank Carl Cuneo of the Department of Sociology, McMaster, for his critical thinking; Danny Drache, Department of Political Science, Atkinson College, York University, for his knowledge of Canadian political economy; from Carleton University, Dennis Olsen for his understanding of Canadian society; Dennis Forcese for his encouragement and persistence; Leo Panitch for his insights and many abilities and finally, John Porter for his stimulating comments and tolerance in encouraging me to productively debate with him. More than any others, these six people have personally helped me to come to my present level of understanding about corporate power and Canadian society. They share in this work in many ways, although they do not all agree with what is now written.

I would also like to thank my critics (of whom there are many) who have forced me to sharpen my analysis and my thinking. Most have given careful consideration to what I have written and I certainly encourage further exchanges to advance my own understanding. I would also like to thank many businessmen (who are best left unnamed) for spending time with me in interviews and discussions on the nature of corporate power and the continental economy. I would also like to thank those who kindly answered the mailed questions I sent to them.

On the financial side, Muni Frumhartz, then Chairman of the Department of Sociology and Anthropology at Carleton, provided me with some funding to further my research; Peta Sheriff, Chairperson of the Department of Sociology, McMaster University, also made university funds available to me. The Canada Council helped fund my studies. On the technical side, Lillian Giavedoni arranged my keypunching and helped make the computer count for me; Lesley Clement was a most able and thorough research assistant for one summer, spending many hot hours in the National Library (reducing the number of hours I had to breathe musty biographies); Jackie Tucker photo-copied the final draft. Finally, and most important, Elsie Clement has typed several drafts of this study and has been as tolerant as anyone could expect; Chris and Jeff Clement have also tolerated me and I owe them all a great deal for the time this study has stolen from them. None of these people are responsible for any remaining errors, although they are responsible for 'catching' some that otherwise may have occurred.

W.C.

August, 1976

Hamilton

TABLE OF CONTENTS

	Page
Preface	(i)
Chapter One -- The Problem of a Continental Economy and Corporate Power	1
The Canadian Quandary	2
The Approach to the Problem	5
The Power of Corporations	7
Chapter Two -- Frameworks for the Analysis of a Continental System	13
Changes in International Capital: From Merchant to Industrial Capital	14
Relations Between Nations: The World System	21
The Continental System: Capitalist Class Fractions	25
A Note on Class and Elites	30
Chapter Three -- Setting the Stage for a Continental Economy	38
I. Common British Origins and Colonial Rule (to the 1770s)	39
II. Mercantilism and The American Revolution (1770s to 1830s)	41
III. Prelude to an Industrial System and the Civil War (1830s to 1860s)	48
Manufacturing Takes Hold in the U.S.	48
Canada and the End of Mercantilism	51
Resolving a Contradiction: The Civil War	52
IV. The Railway Era (1860s to 1900)	53
Making a National Economy in the U.S.	53
Canada (Finally) Becomes a Nation	60
V. Consolidation of Corporate Capitalism (1900 to 1913)	67
The U.S. Fills Its National Market	67
The U.S. Enters Canada	71
VI. World War One: U.S. Expansion and Canadian Growth (1913 to 1929)	80
The Effect of World War One on Canada	85
Canada's Post-War Boom and the U.S. Market	88
VII. The Depression Years (1929 to 1939)	91
Summary	97

Chapter Four -- Consolidation of the Continental Economy:	
The Post-World War Two Period	100
The Wartime Economy	101
U.S. Investment in Canadian Resources and Manufacturing	103
U.S. Ownership and 'Canadian' Capital	110
Changes in the Profile of U.S. Investment in Canada	113
A Note: Canada's Coming of Age Industrially	119
Chapter Five -- Multinational Corporations From the U.S. and Canada	121
Multinational Corporations and Class Fractions	121
A Profile of U.S. Expansion	129
Asymmetry in U.S.-Latin American Relations	136
Foreign Investment in the U.S.	138
'Canadian' Foreign Investment--Merely Go-Between?	141
A Comparative View of the Western Hemisphere	155
Summary	163
Chapter Six -- Continental Corporate Structures and Interlocks	165
I. Conglomerates, Corporate Continuity and Concentration	165
Conglomerates, Mergers and Acquisitions	167
Continuity Among Top Corporations	170
Corporate Concentration in the U.S. and Canada	172
II. Dominant U.S. Corporations and Their Canadian Relations	176
Finance Corporations	178
Trade Corporations	184
Transportation and Utilities Corporations	185
Resource Corporations	188
A Note: The International Nickel Co. of Canada (INCO)	191
Manufacturing Corporations	193
A Note: Aluminum Company of Canada (Alcan)	199
Summary	201
III. Interlocks Among Dominant U.S. and Canadian Corporations	201
Corporate Interlocks Among Dominant Corporations	202
Density of Interlocks	207
Multiple Directorship Holders	213
IV. Continental Connections: Interlocks Between Dominant U.S. and Canadian Corporations	215
U.S. Interlocks With Canada	216
Canadian Interlocks With the United States	218
Summary	223
Interlocks Between Indigenous Elites and Branch Plants in Canada	224

Chapter Seven -- Comparison of Canadian and U.S. Economic Elites I: Careers, Class and Kinship	228
Career Patterns of the Economic Elite	229
Engineering and Science	230
Financier and Financial Executives	233
Lawyers	235
Finance Department	239
Training in Commerce	240
Elite Switchers and Careers in Other Sectors	242
Career in Family Firm	244
Own Account	255
Economic Elite Class Origins	258
Inheritance and Current Kinship in the Economic Elite	263
Summary	266
Chapter Eight -- Comparison of Canadian and U.S. Economic Elites II: Corporate and Social Characteristics	267
I. Corporate Characteristics	267
Career Avenues and Class Origins of the Elite	267
Multiple Directorship Holders	274
II. Ascriptive Characteristics of the Elite	276
Region of Birth and Residence	277
Race and Ethnicity	283
Women in the Economic Elite	288
III. The Elite as a Social Group	291
University Training	291
Private Schools and Private People	295
Private National Men's Clubs	299
IV. Relations Between Elites	304
Chapter Nine -- Relations Between U.S. and Canadian Elites and Managers	311
I. Multinational Activities of the U.S. Economic Elite and Foreign Born in the Elite	311
Canadian Born in the U.S. Economic Elite	314
II. Managerial Migration Between Canada and the United States	319
Economic Theories of Migration	319
Managerial Migration to Canada	322
'Free' and 'Attached' Migration of Managers	324
Managerial Migration Between Canada and the United States	326
Canadian Born U.S. Resident Managers	328
Summary	347
III. Multinational and Continental Activities of the Canadian Elite	349
International Associations	349

Chapter Nine (cont'd)

Continental and Multinational Ties of the Canadian Elite	351
Indigenous and Comprador Elites in Canada	354

Chapter Ten -- Implications of the Continental Economy for Canadian Society 362

I. The Nature of the Canadian Elite: The Question of Domination	363
---	-----

II. Effects of the Continental Economy on Canadian Society	369
--	-----

III. The Canadian State in the Continental Economy	374
--	-----

Appendices	379
------------------	-----

References	434
------------------	-----

TABLES:

	Page
Table One -- Total Book Value of U.S. Foreign Direct Investment, 1929 to 1970 (Selected years)	104
Table Two -- Canadian Trade Patterns, 1961 and 1971	108
Table Three -- U.S. Control of Non-Financial Canadian Industries, 1926 to 1970 (Selected years)	114
Table Four -- Control of Non-Financial Industries in Canada, 1972	115
Table Five -- Relative Distribution of Ownership and Control of Capital Employed in Canadian Non-Financial Industries, 1972	116
Table Six -- Proportion of 194 U.S. Dominant Corporations That are Multinational by Economic Sector, 1974	130-131
Table Seven -- U.S. Foreign Direct Investments by Area and Sector, 1969	135
Table Eight -- U.S. Earnings, Foreign and Domestic, 1950-1965	135
Table Nine -- Distribution of 'Canadian' Direct Investment Abroad by Industry, 1970	144
Table Ten -- 'Canadian' Direct Investment Abroad by Control and Location, 1970	145
Table Eleven -- 'Canadian' Direct Investment Abroad by Area of Control and Size of Investment, 1970	146
Table Twelve -- Direct Investment Flow and Flow of Investment Income, Canada and the U.S., Annual Averages 1968-1970	156
Table Thirteen -- U.S. Mergers and Acquisitions, 1960-1971	167
Table Fourteen -- Share of Assets Held by the Largest U.S. Manufacturing Corporations, 1950-1972	174
Table Fifteen -- U.S. Manufacturing Corporations with Assets Over \$1 Billion, 1960-1973	174
Table Sixteen -- Average Major Characteristics of Corporations in Canada by Control, 1972 (non-financial)	175
Table Seventeen -- Number and Proportion of 194 U.S. Dominant Corporations With Dominant and Other Subsidiaries in Canada, 1974	177
Table Eighteen -- Real Estate Investment Trust Credits Held by Nine U.S. Banks	179
Table Nineteen -- Alcan's Distribution of Common Shares, 1965-1974	200
Table Twenty -- Interlocks Among Dominant U.S. and Canadian Corporations	205

Tables (cont'd)

Table Twenty-One -- Average Board Size of Canadian and U.S. Dominant Corporations by Sector	206
Table Twenty-Two -- Dominant Directorships per Sector by Main Current Affiliation, U.S. Economic Elite	210
Table Twenty-Three -- Dominant Directorships per Sector by Main Current Affiliation, Canadian Economic Elite	211
Table Twenty-Four -- Interlocks of Dominant Canadian and U.S. Banks by Sector	212
Table Twenty-Five -- U.S. and Canadian Multiple Directorship Holders	214
Table Twenty-Six -- Interlocks from the U.S. to Canada by Sector of Origin in the U.S.	217
Table Twenty-Seven -- Interlocks from the U.S. to Canada by Sector of Destination in Canada	218
Table Twenty-Eight -- Interlocks from Canada to the U.S. by Sector of Origin in Canada	219
Table Twenty-Nine -- Interlocks from Canada to the U.S. by Sector of Destination in the U.S.	220
Table Thirty -- Career Patterns of the U.S. and Canadian Economic Elites	230
Table Thirty-One -- Upper Class Origins and Career Avenues to the Elite	268
Table Thirty-Two -- Upper Class Origins of the Elite by Corporate Position	272
Table Thirty-Three -- Multiple Directorships of the Elite by Position	276
Table Thirty-Four -- Birthplace and Residence of the U.S. Economic Elite	277
Table Thirty-Five -- Upper Class Origins in the U.S. Economic Elite by Region	278
Table Thirty-Six -- Birthplace and Residence of the Canadian Economic Elite	280
Table Thirty-Seven -- Upper Class Origins in the Canadian Economic Elite by Region	282
Table Thirty-Eight -- Education and the Economic Elite	292
Table Thirty-Nine -- Upper Class Origins and Careers in Family Firms for Elites Attending Universities	293
Table Forty -- Upper Class Origins and Educational Level	295
Table Forty-One -- Multinational Activities of the U.S. Economic Elite by Sector	312

Tables (cont'd)

Table Forty-Two -- Managerial Migration Between Canada and the U.S., Year ends 1961-1971	327
Table Forty-Three -- Region of Birth of Canadian Born U.S. Resident Managers	332
Table Forty-Four -- Region of Residence in the U.S. for Canadian Born Managers	334
Table Forty-Five -- Reasons for Migrating to the U.S. Given by Canadian Born Managers	336
Table Forty-Six -- Barriers in Canada and Better Chance in the U.S.	337
Table Forty-Seven -- Barriers in Canada by Region of Birth	337
Table Forty-Eight -- Barriers in Canada by Ethnic Origin	338
Table Forty-Nine -- Ethnic Origins of Canadian Born U.S. Resident Managers	339
Table Fifty -- Father's Education of Canadian Born U.S. Resident Managers	341
Table Fifty-One -- Social Class Origins of Canadian Born U.S. Resident Managers	343
Table Fifty-Two -- Barriers in Canada by Class Origin of Canadian Born U.S. Resident Managers	344
Table Fifty-Three -- Canadian Born Managers' Contacts in the U.S. Before Moving	345
Table Fifty-Four -- Canadian Born U.S. Resident Managers' Current Canadian Contacts	346
Table Fifty-Five -- Canadian Born U.S. Resident Managers Who Know Other Canadian Born Businessmen Now in the U.S.	347
Table Fifty-Six -- Multinational Activity of Canadian and Indigenous Comprador Elites	354
Table Fifty-Seven -- Birthplace of the Canadian Economic Elite, 1951 and 1972	356
Table Fifty-Eight -- Corporate Positions of Indigenous and Comprador Canadian Elites	357
Table Fifty-Nine -- Relations Between Fractions of the Canadian Elite	360
Table Sixty -- Distribution of Non-financial Industrial Taxable Income by Region and Control, 1972	372
Table Sixty-One -- Distribution of Taxable Income by Region and Control from Manufacturing, 1972	372

FIGURES:

	Page
Figure One: Survival Among the <u>Fortune</u> 500, 1954 to 1974	172
Figure Two: Joint Pipeline Ownership by Dominant U.S. Oil and Gas Companies in Canada, 1972	190
Figure Three: Unconsolidated Canadian Subsidiaries of Consolidated Foods, 1972	195
Figure Four: Joint Ventures in Metal Manufacturing and Resources, 1972	197
Figure Five: Density of Interlocks Between 194 Dominant U.S. Companies, 1975	207
Figure Six: Density of Interlocks Between 113 Dominant Canadian Companies, 1972	208

APPENDICES:

		Page
Appendix I	Foreign Ownership of Industrial Groups in Canada	379
Appendix II	Control of Industrial Groups in Canada, 1972 By Assets, Sales and Profits	380
Appendix IIIa	Insurance in Force of the 13 Dominant Canadian Life Insurance Companies in Canada, United States and United Kingdom, 1970	382
Appendix IIIb	Assets of Dominant Canadian Life Insurance Companies Held Outside of Canada, 1970	383
Appendix IIIc	Insurance in Force of Dominant Canadian Life Insurance Companies, with Holdings Outside of Canada, United States and United Kingdom, 1970	384
Appendix IVa	Branches of Canadian Chartered Banks Outside Canada, 1972	385
Appendix IVb	Foreign Holdings of Canadian Banks, 1971	386
Appendix V	Determining U.S. Dominant Corporations	388
Appendix VI	Corporate Statistics	389
Appendix VII	Average Sizes of Dominant U.S. Corporations by Sector	398
Appendix VIII	Interlocks Among 194 Dominant U.S. Corporations	399
Appendix IX	Interlocks Among Dominant U.S. and Canadian Corporations	401
Appendix X	Studies of the U.S. Economic Elite and Executives	402
Appendix XI	Methodological Note on Elite Biographical Data	412
Appendix XII	The 'Ownership-Control' Debate in the U.S.: The Power of Property	414
Appendix XIII	Problems of Immigration Data and Classifications	426
Appendix XIV	Procedures Used in the Canadian Born U.S. Resident Managers Survey	429
Appendix XV	Two Methods of Determining Class Origins of Managers	432

PREFACE

In an earlier study of The Canadian Corporate Elite, I attempted to portray some changes in Canada's socio-economic history, and specifically those changes in economic power which took place in Canada since John Porter's 1951 study of this subject reported in The Vertical Mosaic. Although some have interpreted it otherwise, my first study raised at least as many problems as it resolved. Broadly, these may be divided into three problem areas: the problem of boundaries (Canada in a continental context), the problem of relations between systems of power (Canada's corporate and state systems), and the problem of class (Canada's class structure as affecting and affected by these other problem areas). Once again these last two areas must be temporarily skirted in favour of a detailed analysis of Canada's place specifically within the system of continental capitalism and generally within the world order. As before, the other problem areas, while deserving of more thorough attention, will be discussed but not attacked directly.

While the essence of my earlier work was the emergence and current structure of economic power in Canada, the present analysis has as its focal point developments within the U.S. economic structure, especially as they have affected the course of Canada's economy and social structure. It searches for external effects on internal developments and the extensions of each national economy into a continental system.

In addition to its direct relevance for the understanding of relations between Canada and the United States, this study can be regarded as part of a growing literature on the question of the internationalization of capitalism and the implications of this for modern national societies generally. While a great deal has been done to explain the relationship between the United States and 'Third World' nations, very little work has been undertaken for 'go-between' nations like Canada. Given the world wide tendency to internationalization of capitalism, it is important to increase the understanding of such relationships. Most important here is to assess the impact of these international relations on the internal power structures of the nations involved. By going beyond the traditionally accepted political boundaries to study the broader economic system of which these states are a part, it is possible to assess the extent to which internal developments are influenced by external forces.

The idea of looking beyond Canada for external centres of power with an importance in Canada is not a new one. In presenting his analysis of the economic elite in Canada for 1951, John Porter stated that, "Rather than a Canadian elite we should perhaps be searching for a foreign or international elite...it was in some respects unrealistic to accept national boundaries as the boundaries of any economic system," adding that it was necessary for the purposes of analysis to delineate some boundaries (1965: 266). Porter's studies have now led him in other directions but this study attempts to correct, in some senses, the limits he adopted for his earlier study. Having said that, however, even extending the analysis into the continental system and to a limited extent beyond, this study does not resolve completely these earlier constraints. While the heart of Canada's international relations in the economic domain are with the U.S., there remains an even broader world system of capitalism to be taken into account. The spiral is a never ending one.

The existence of an international economy is certainly not of recent origin. The Mesopotamians had international trading companies during the Middle Ages and the East India Company was a major international force in Elizabeth I's reign. For centuries both Canada and the United States were on the receiving end of Pax Britanica and many European rivalries have been played out in North America. Trade has long been central to the international system. But there have been important transformations to international capitalism with the coming to the forefront of the modern multinational corporation. There are still important links of trade but there is a world of difference between the exchange of commodities between two independent units (whether companies or nations) characteristic of earlier eras and the intra-organizational transfers within one multinational spanning several nations that is so dominant in today's trade. There are many aspects of international capitalism to be explored. There are ownership links of both a direct controlling nature and those of a portfolio or investment nature. There is the international interlocking of directorships and the migration of businessmen and experts. There are common social circles in the clubrooms of the leading nations and the common associations like the Canadian-American Committee which have been established. There are also the agreements between governments like the Canada-U.S. Auto Pact. All are in some sense related.

There is no attempt here to claim that director interlocks, social connections or common class origins explain all or even the most part of capitalist relations either within the U.S. or in their relations to Canada. What is claimed, however, is that these do serve as strong social indicators of broader capitalist relations expressed on a human level. The broad trends evident in capital formations, accumulation and concentration, foreign investment and other economic indicators are expressed in the way people relate to one another and provide the context for these relationships. In other words, sociology complements political economy.

Although a reader should always be cautious of oversimplification, the task of analysis is to simplify and give meaning to complex phenomenon. The line is a fine one and not always easy to tread. This analysis attempts to identify major trends and forces in Canadian-U.S. economic relations and by necessity it must simplify. But it is hoped that the essence of the relationship is not missed in the process. To say the relationship is complex is to state the obvious; to abstract the crux of the relationship is the task.

CHAPTER ONE

The Problem of a Continental Economy and Corporate Power

Canada is an independent nation state, enveloped by the spill-over of the most powerful capitalist society in the world, including some of the costs and benefits of its wealth. While Canada's economy is largely controlled and shaped by U.S. capitalists, these capitalists do not operate completely in a power vacuum in Canada. What has been forged over the past century is an alliance between the leading elements of Canadian and U.S. capital which mutually reinforces the power and advantage of each. The particular type of economic development Canada has experienced occurred in the context of two overriding factors: the dominant place of financial capitalists within Canada and the presence of the world's largest industrial giant immediately adjacent. Together these features have determined the nature of the continental economy.

Leading forces of capitalism in both Canada and the U.S. benefit by this alliance. Canada provides important sources of natural resources and market outlets for U.S. industrialists while the economic activity arising from U.S. resource extraction, transportation and production is the bread and butter of Canada's leading capitalists. However, this is an unequal alliance whereby U.S. capitalists control the major areas associated with production while Canadian capitalists have their strength in areas of circulation and service to production. Production includes the key economic activities of manufacturing and resource extraction while circulation and service involve financial activities, transportation and utilities. Thus their alliance, while unequal, represents a merging of efforts and interests giving them an affinity.

This unequal alliance requires a historical explanation that places both Canada and the U.S. within the context of the North Atlantic triangle, particularly the earlier U.S. break with the United Kingdom which permitted it an autonomous pattern of industrialization and Canada's persistence as a mediator between the imperial centre and her own resources. The U.S. has since become an expanding empire and centre for most of the world's largest multinational corporations. In contrast, Canada's capitalists

have been engaged in consolidating and protecting their limited areas of economic power, in large part in reaction to the outward thrust of the U.S. The major thesis of this study is that this broad pattern of the U.S. as an expanding empire and Canada as confined by U.S. expansion has tremendous ramifications for the patterns of ownership within the Canadian economy, for the relationships between corporations and for the nature of the economic elites of each country.

Not all Canadian capitalists are pleased with this arrangement nor do most see beyond immediate economic gains arising from this method of nation building and surplus extraction. Nevertheless, the central tendency is clear. For those commanding the uppermost positions in Canada's economy, as the U.S. goes so too does Canada. The two economies have become intertwined in a multitude of ways. But their interpenetration does not mean that they have become the same. Indeed, it is precisely because of the way they have come together that they are so distinctive; that is, because they have come together in an unequal alliance Canada's economy has been shaped to conform to the dominance of the U.S.

An analysis of the Canadian economy and of those who control it must then be one that includes an examination of the United States and of those who control that economy. As a result, Canada cannot be characterized as an advanced independent capitalist society; nor can it be grouped with the various peripheral nations often called the 'Third World', although it shares some traits with each. Herein lies the Canadian quandary.

The Canadian Quandary

Canada is a bundle of paradoxes. It is both underdeveloped and overdeveloped, a resource hinterland and an advanced manufacturer, capital rich and capital poor. Canada's economic development has been uneven, and an explanation of this unevenness requires analysis of both the external and internal factors producing this pattern. This quandary was manifest in a speech made by the late Prime Minister Lester B. Pearson: "Our desire to share in the material benefits of continental growth and development and also to maintain an independent political and social and cultural identity, seems at times to result in a split

personality, a kind of national schizophrenia" (New York Times, February 5, 1967).

But Canada's peculiar pattern of development cannot be reduced to the problem of identity. The roots are much deeper and evolve out of its political economy. By its political economy is meant the connection between the economy and social relations viewed in a historical perspective such that in the Canadian case its relationship with foreign economies has molded the nature of Canada's economy and the capitalists who control it while they in turn shape social relations within Canada.

Canada is a secondary power in the world economic order and has a distorted economic system--the result of 'shirt-tail' development. This is because of its colonial origins and because its industrialization proceeded in the shadow of an industrial giant. Throughout its history Canada has conformed to the pressures of external demands and internal opportunism. Rather than employing the techniques of autonomous development, Canada's capitalists and state elites have made Canada's economy part of a much broader economic system, the world economic order, and particularly today an integral part of a continental economic system.

The division of labour that has been forged between the economic elites of Canada and the U.S. follows from radically different formative forces in each country and different types of capitalists each has produced and sustained. The American Revolution in the 1770s, the Civil War of the 1860s, the imperialism of the mid-20th century are the three major landmarks often cited to distinguish U.S. from Canadian history. But these landmarks are the outcomes of broader internal differences. Canada never went to war to break with Britain, it never successfully resolved its major internal conflict (between French and English) by civil war, and it has never had the power to take the rest of the capitalist world as its domain. Moreover, Canada's late attempt at nation building occurred within the orbit of the largest and most aggressive industrial nation in history--the U.S.

In terms of the Canadian economy, this division of labour has meant that Canadian capitalists have retained control of activities associated with finance, transportation, utilities and the mass media while foreign, predominantly U.S., capitalists have held the strongest position in

resource extraction and manufacturing. The reasons for this will be explored theoretically in the following chapter and empirically throughout the remainder of this study. A major purpose will be to provide an analysis of the causes, consequences and costs of such a division of labour. In particular, it will be an analysis in detail of a problem outlined years ago by Frank Underhill: "The real problem on this continent is not the political relationship between two supposedly mutually exclusive and independent entities called Canada and the United States, but the economic relationship between the classes who make up the North American community" (Canadian Forum, July 1929). Since this was written, the problem has grown dramatically with the creation of multinational corporations and the flows of capital, control and personnel that have followed.

Amazingly little new research has been done on this problem. Although there has been a great deal of research on the issue of foreign investment in Canada, few have looked outside Canada to analyse the external forces that have become reflected in Canada's economy. Few have examined the U.S. power structure to see how it relates to Canada. It is the intersection of the economic power structure (including corporations and people) from both Canada and the U.S. that will provide the focus for this analysis. The purpose is to explain the continental interpenetration by examining both the push and the pull factors on each side, all of which occurs within a set of assumptions based on corporate capitalism. In an earlier book called The Canadian Corporate Elite: An Analysis of Economic Power, I explored many of the pull factors within Canada--the dominance of a financial economic elite and the underdevelopment of industrial and resource entrepreneurs--but in this study these will be contrasted with the patterns of U.S. economic development. This perspective is based on the view that it is imperative to go beyond the boundaries of Canada to understand developments within Canada; it requires a specific understanding of the nature of U.S. capitalism and its projection into Canada. This analysis claims to be more than a comparison of U.S. and Canadian economic elites and corporations, although this is an important component. Rather, the focus is on the relationship between them as well as patterns within each.

The Approach to the Problem

It is necessary first to provide a historical review of economic relations between Canada and the U.S., even for the most limited understanding of the forces and developments which become manifest in the behaviour and type of people involved in building the continental economy. In the context of the theoretical issues to be outlined in the following chapter, these historical processes will explain why it has now become difficult for large scale Canadian capitalists to visualize their markets (whether commodity, capital, resource or even labour markets) in Canada or elsewhere without taking the U.S. into account. The historical backdrop will illustrate why only the financial, communications, transportation, utilities and media sectors in Canada have been able, through legislation and their own indigenous power base, to protect themselves from direct U.S. domination. However, it will also be shown that the rest of the economy--resources and manufacturing in particular--is heavily U.S. dominated. Since much of the activity of these former sectors is predicated on the latter ones, it is imperative that Canadian capitalists engage in some form of relationship with U.S. capitalists. To begin to delineate some of the features of this association will be a major purpose.

Having set this background, some of the consequences of this relationship will be explored. Just to list 'defensive expansionism' (which accelerated Canada's move to the West to protect its boundaries from U.S. encroachment), accelerated industrialization (industrialization from without), branch plants (owned and controlled outside the country to meet foreign demands), capital drains (caused by branch plants removing more profits to their parents than is brought into the country as new capital) or resource depletion (caused by exporting unprocessed raw materials to meet foreign demands), only begins to scratch the surface.

To understand the structure of the relationship between Canada and the U.S. it is necessary to examine the main organizations involved. These are the largest corporations within each country, corporations which are called dominant corporations because they control most of the economic activities in each country. This includes an analysis of the relative degrees of concentration within various economic activities but more than that, it involves seeing which U.S. corporations penetrate into Canada and contrasting this with their multinational (or worldwide) activ-

ities. This allows for an understanding of the special place Canada has in the U.S. sphere of influence. Having identified dominant corporations in each country, the relationships between these corporations are also examined, particularly in terms of the patterns of interlocking directorships which provide an indicator of the nature of the relationship between corporations engaged in different economic activities. Added to the relations between corporations within each country is also an analysis of the interlocks occurring between dominant Canadian and U.S. corporations to see the continental exchanges of their respective economic elites.

After setting the stage by examining the structural relations between the two countries, it is then necessary to clarify some of the social dimensions of the Canada-U.S. relationship, particularly in terms of the types of people controlling the dominant corporations in each country and the kinds of relationships they have established with one another.

A further purpose is to examine the Canadian economy within the North American context to determine the mobility and opportunity it affords Canadians, and is therefore not designed as a comparative study in the usual sense of two separate systems in convergence with or divergence from one another. Rather, the analysis is of North America with special reference to Canada. This part of the study includes the area of international managerial migration and elite mobility, an as yet unexplored aspect of stratification, by looking at immigration data, a survey of persons born in Canada but who have moved into management positions in the U.S. and an examination of the U.S. activities of members of the Canadian economic elite.

Since the core of the study is an analysis of corporate concentration and elites in both Canada and the U.S., as well as corporate and elite linkages between the two nations, this has involved gathering data on the top corporations of each country (194 in the U.S. and 113 in Canada) and biographical information on about 3,000 elite members from the two countries (2,007 for the U.S. and 798 in Canada). To supplement this information, original survey data have been gathered on a sample of Canadian born U.S. resident business executives (302 answered questionnaires). Further immigration data on the flow of managers between the two countries have also been gathered. To this original research has been added a great deal of

supplementary research drawn from contemporary and historical studies of each economy and their respective elites, plus government statistics on capital flows and investments between them and various studies of multinational corporations.

The Power of Corporations

To understand the effects of continental corporate power, it is first necessary to understand corporate power. Why can it be said that dominant corporations--or to be more precise, members of the economic elite (who hold the top decision making posts in these corporations)--are powerful and just what is the nature and extent of their power? Power is the ability of some people to mobilize resources for particular ends. 'Resources' is simply a general concept for anything that is valued, such as capital, raw materials, labour power or products. Power is always a relational concept meaning that someone has more resources than someone else and thus has the ability to make more of an impact in terms of that resource. The following is a rather simple outline of some of the types of resources located in corporations and, hence, corporate power. It is not meant to be exhaustive but rather illustrative of some aspects of corporate power analysed in the rest of the study.

The most obvious areas where economic power may be located is in costs and prices paid for goods, services or credit. Certainly there are broad constraints here. At the bottom is the cost of production and at the top the limits of the 'market'. But these are much broader than might be supposed. Production costs incorporate a great number of components, many of which include factors resulting from other costs charged at a rate the 'market' will bear. For example, an important cost of production is labour but the price of labour--which has remained at a fairly steady proportion of the total cost of production--includes the socially necessary costs of survival and reproduction. Today these include such essentials as transportation, shelter and food. If these essentials are being purchased by labour at the price the 'market' will bear, then this obviously affects the cost of labour and hence, the cost of production. At the upper limit is the constraint imposed by the illusive 'market'. Of course, the market is no more than the sum of all those offering goods,

services or credit and all those wanting these things. The first is highly variable in terms of the number of alternative sources and the second also varies in terms of created wants (such as those instilled by advertising). Where there are very few outlets for particular goods, services or credit, then there tends to be a monopoly market and the more demand those who control these valued commodities can create through such things as planned obsolescence, advertising or narrowing alternatives (such as the alternative of economical and efficient public transit to the automobile), the greater the price they can command. Thus the upper limit is made flexible by control over the market place. To reiterate, the power of the economic elite over costs and prices is quite extensive.

Another area where corporate power predominates is in capital accumulation. While it would be wrong to say that the elite can absolutely determine profits, it would be equally misleading to suggest they are without a heavy hand in keeping profits high. Again, this will vary with the relative command over the 'market'. From profits, however, the elite is able to determine what proportion will be paid out in dividends and which to retained earnings. Thus, built into the corporation is the single most important source of funds for capital accumulation. The second most important source is from financial intermediaries, especially the giant banks and life insurance companies. To the extent the largest corporations and the largest sources of financial capital are tied into one another, there is a monopoly over the capital necessary for new or renewed development. To whom are the economic elite responsible in these decisions? Only to the stockholders; in other words, mainly to themselves and thousands of small investors whose only option is to sell their shares if they do not like the policy.

Besides prices and capital accumulation, the power of corporations and their elite extends to wages and salaries. In spite of unions, wages are still set by capitalists. The upper level of wages is determined by productivity, again the responsibility of the elite, and below that by collective bargaining--at least for the third of the labour force that is unionized. Included in the corporate bag of tools for collective bargaining is the ability to withstand prolonged strikes by shifting operations elsewhere, including the ultimate threat of closing down an operation, the long term strategy of avoiding strike-bound areas, the ability to call on a reserve army of unemployed or use of back-to-work orders

issued by the state. Again, in the setting of wages there is considerable leeway. In terms of salaries, and more specifically executive compensation, there is the special privilege of the elite being able to determine its own rewards and schemes for payment. These typically involve a combination of salary, bonus and stock options--all determined by themselves, for themselves. The use of these types of rewards also acts as an important enticement for lower level management aspiring to the elite and is an effective social control on them for performance and reliability. In large part they also 'set the pace' for settlements in smaller industry and in the state sector, thus having an impact beyond their immediate scope.

In another respect they have enormous impact on the nature of the labour force. By being able to determine the nature of production--whether it will be capital or labour intensive, clean or dirty, safe or hazardous, secure or intermittent--the corporations have great control over the quality of life. By turning off and on the fiscal taps for research and development, they greatly affect the kinds of technology developed and, once developed, whether it will be used. By deeming which skills will be rewarded highly and as what proportion of the labour force, the economic elite can affect the overall number of jobs, how many will be clerical, how many managerial and how many blue collar. With this, there is a feedback on the educational system in terms of how many people will become engineers, scientists, lawyers or MBA's because corporations are, in large part, the market for these occupations; they in fact are the 'demand' because they are the main employment outlet. To argue that corporations do not have a great impact on the nature of the labour force would be to assume that the way they choose to operate their activities is the only way; it would be to assume that there are not a multitude of different ways to organize production and administration; it would be to assume that human ingenuity for social organization has been exhausted and limited to production lines and giant bureaucracies. Any experimentation that has been carried out by corporations is evaluated in their terms--profitability--not in human terms; that is, in terms of the quality of life and experience of those actually doing the work. Efficiency for corporations has to be confined by their own terms of reference and these terms dictate that the capital invested must turn a 'reasonable rate of

profit', not that the people doing the work put out a socially useful product or service.

Just as the power of the corporation in terms of the nature of the labour force goes right to the bone of what is important in a society, so does its impact on the values of the people in that society. It has already been suggested that by setting the reward structure for the society, corporations are able to entice people to different careers. But even within these careers it is able to dictate standards of performance, particularly by selecting 'up' those deemed to meet these standards. In so doing, corporations tend to mold certain types of individuals. Corporations mold individuals in other ways and have other effects on the values of a society. The most obvious expression of this is in advertising and the promotion of consumption. To argue that advertising does not direct people and serve to stabilize the monopoly position of corporations over particular goods and services would be to suggest that advertising does not work and that it is wasted anyway. But the effect of consumerism is of greater importance. It also serves to squander the resources of a society--including both human and natural resources. Corporations command great armies of people and convert large amounts of natural resources but where are the criteria whereby these resources are used? The criteria are in the heads of the elite and it is their values that are determining the use of these resources. But in a capitalist society they are not accountable for these values.

Finally, although it would be difficult to exhaust all the areas of power wielded by the economic elite, there is the power to determine the basic investment patterns of a nation. By investment patterns are meant decisions related to the location of various facilities--plants and offices--and the kinds of activities that will be pursued such as mining, petroleum extraction, nuclear energy and so forth. Corporate development patterns affect the very shape of the country, the regions that will be developed, whether they will process raw materials or ship them elsewhere and where the bureaucratic facilities will be established. This area of economic power is very far ranging and involves the entire phenomenon of economic planning with all its ramifications. Who determines what areas of the economy will be developed and which will be left to stagnate, where

the most recent processing facilities will be located? Certainly the state can have an impact here but that impact is muted.¹ To have a corporation perform certain operations in a specific location it must offer sufficient inducements in terms of capital or concessions to do so (such as forgivable loans or tax 'holidays'). That is, it must entice the corporation on its own terms--and those terms are the private accumulation of profit.

When this extent of power transcends national boundaries on the scale that has occurred between Canada and the U.S., the issue of corporate power takes on even greater importance. As Herbert Marshall and his colleagues have demonstrated so well in their classic Canadian-American Industry, "businessmen and capitalists in either country have always been attracted by economic opportunities in the other, and found few obstacles to investing in and developing them" and, as they go on to stress, "this has been a movement in both directions" although the relative impact on each nation has certainly not been equal (1935:ix, 2).

The power and importance of corporations and their elites in both their national and international operations will vary with time and place. Capitalism has many phases and faces. In its formative stages it is progressive and productive, creating goods and services, creating a 'free' labour market and mobilizing large pools of capital. It also has enormous costs that are not equally shared by all the nations or people involved. It alienates the labour of many and concentrates capital among the few. It is often wasteful of resources, both natural and human. As well as there being many sides to capitalism, there are many kinds of capitalists, ranging from the small owner to the conglomerate financier, from the capitalism of small scale economies to the enormous enterprises of the current U.S. system.

In terms of international corporate power it is only the largest corporations and those that run them that are of major consequence. Their international power is reflected in their ability to directly determine

¹The role of the state in capitalist society, particularly in Canada and the U.S. will be developed in Chapter Ten.

the direction of economic activity and development. But they also have enormous international influence because of their ability to affect the political and military power of both their 'home' and other nations. The visibility of economic power is low compared to political or, more especially, military power but it is nevertheless effective. Companies, both national and multinational, can hide behind a variety of name brands and subsidiaries in an attempt to 'blend' with the locals. Thus international corporate power can often be exercised with very little public knowledge or scrutiny, not to mention accountability. Moreover, because certain U.S. economic elites have such concentrated and significant power in some economic activities in Canada (like the automobile or oil industries), they have much broader influences and create a particular environment within which the Canadian state and economic elites must exercise their own power. These Canadian power holders must make the decision whether to cooperate or enter into conflict with the U.S. economic power holders. Typically in Canada, they have cooperated because they have seen such cooperation as conducive to their own well being.

The economic elite are not the only people important in directing the economy but in Canada and the U.S. they are by far the most important, the most powerful.

CHAPTER TWO

Frameworks for the Analysis of a Continental System

Economic patterns in Canada have been shaped by foreign capital, but it has not languished completely underdeveloped. Indeed, parts have been overdeveloped to the relative neglect of other parts, resulting in a pattern known as uneven development. While Canada is not a 'Third World' country, it has some characteristics in common with such countries: extremely high foreign control of basic resources and a relatively underdeveloped indigenously controlled manufacturing sector (much of which is under external control), in conjunction with an overdeveloped commercial sector. On the other hand, it exhibits some of the characteristics of an advanced capitalist nation, having fairly extensive foreign investments of its own, a highly developed commercial and service sector and an elaborate state system built on a model of Western liberal democracies.

Before moving to the concrete analysis of the continental economy, it is necessary to establish a framework and set of concepts which aid in making sense of this material. This requires setting out some concepts and theories concerning the nature of capitalism, the nature of the world economy and their effects on various fractions of the capitalist class. This chapter foreshadows later chapters and provides the broad outlines of some later findings.

Uneven development is characteristic of all liberal democracies, but some are able to shift the greatest part of this burden outside their boundaries although even the most powerful of all, the U.S., has not been totally successful in this--witness the position of Blacks and Mexican-Americans and native peoples. But generally, other nations have been the recipients of the brunt of this unevenness. In Canada the phenomenon of internal exploitation has been great but it too has been able to shift some of the burden abroad, although not nearly to the extent of the U.S.

Why is it that the U.S. has been able to shed its past position of being on the receiving end of uneven development while other nations have not been as successful? A key thesis arising out of the literature on development is that development possibilities that exist at one period may no longer prevail at a later time, precisely because a new context

of powerful industrial centres comes into existence which can deter alternative centres from developing.¹ Thus, in many underdeveloped countries the impact of foreign industrial and resource ownership has been to reinforce the position of merchant capitalism (engaged in the circulation of commodities and money) at the expense of industrial capitalism (engaged in production). Moreover, the consequence of foreign control has been to remove capital from underdeveloped areas rather than to channel capital to them. Herein lies the parallel with Canada's pattern of development.

Changes in International Capital: From Merchant to Industrial Capital

There was a world economic order based on merchant capitalism well before the emergence of industrial production. With industrialization this system took on new meaning and greater scope, revolving around the search for natural resources to feed the factories and workers of metropolitan nations and later as markets for products. During the era of merchant dominance, capitalists were interested primarily in the staples of the colonies like fish, fur and timber. In the era of colonial control, commercial capitalists began to export portfolio capital in the form of loans to the colonies to construct canals and railways and to finance lending institutions, all of which facilitated staple extraction. Usually these loans were guaranteed by the colonial governments. As capitalism in centre nations transformed from the entrepreneurial to corporate stage by the merging of industrial and commercial capital, and as many former colonies were turned into nation states, the nature of foreign investment began to shift to direct control. This involved establishing production and extraction industries within these new nations but with control remaining with the metropolitan nation, thus shifting the nature of domin-

¹The work of Paul Baran has been important in documenting his conclusion that "in most underdeveloped countries capitalism had a peculiarly twisted career" (1957:177). He has shown that, "The new firms, rapidly attaining exclusive control over their markets and fencing them in by protective tariffs and/or government concessions of all kinds, blocked further industrial growth while their monopolistic price and output policies minimized the expansion of their own enterprises...Monopolistic industry...extends the merchant phase of capitalism by obstructing the transition of capital and men from the sphere of circulation to the sphere of industrial production"(176-177).

ance from primarily political to primarily economic. This was also the beginning of the emergence of multinational corporations.

The crucial break between a world economy based on trade and one based on capital flows occurred with the consolidation of the Industrial Revolution in Britain, around 1850, marking the transformation from mercantile to industrial capitalism. However, these were transformations occurring within centre nations with much greater ease than in periphery nations. As Paul Baran has illustrated, metropolitan control tended to inhibit the transformation from merchant to industrial capitalism in the periphery. With vast foreign investments, "there could be no spread of small industrial shops" since foreign capitalists "erected single large-scale modern plants which were sufficient to meet the existing demand."

Although the total amount of capital needed for such a venture was frequently large, the part of it spent in the underdeveloped country was small, with the bulk of the outlays involved taking place abroad on the acquisition of foreign-made machinery, of foreign patents, and the like. The stimulating effect on the economy as a whole resulting from such investments was accordingly slight. What is more [this]...reduced greatly or eliminated entirely the chances of another enterprise being launched in the same field (1957:175).

This foreign control led to a forcing of local interests to remain in traditional merchant pursuits and acted as an important barrier to their moving into industrial ones.

As in many periphery nations, the transition between merchant and industrial capital in Canada was not smooth. Merchant capitalists remained locked into the sphere of circulation both because of external pressure and because they found it to be secure and lucrative territory.² Those indigenous industrial capitalists in Canada following another path to industrialization from local manufactories to national corporations in the sphere of production were often stymied because they lacked the necessary financing and transportation to markets, both activities con-

²In Development and Underdevelopment, Geoffrey Kay makes the distinction between productive and circulation capital which correspond to different economic activities: "the production of commodities in the one case; the buying and selling of them in the other" (1975:86). Industrial capitalists operate in the sphere of production and commercial capitalists in the sphere of circulation. Commercial capitalists include merchants prominent during the early stages of capitalism and financiers during later stages.

controlled by dominant Canadian capitalists in circulation. Canadian industrialists also ran into the brick wall of foreign industrialists entering the country directly or exporting their products to Canada to supplement their industrial operations at home. This home market provided foreign industrialists with much greater resources which overpowered most indigenous Canadian industrialists, particularly in terms of greater capacity to develop technology and because they had greater capital access which was often used to buy out the Canadian industrialists when they grew to a point of entering the national market. Since the 'commodity' of commercial capitalists is money, they added to the problem by treating small Canadian industrial firms in the same way--'products' to be bought and sold, not to be nurtured and valued for their intrinsic productive value.

In the early stages of international capitalism Canadian merchants and their counterparts in the U.K. engaged in buying and selling commodities but since this exchange was predicated on the transportation of these commodities, there was an easy transition, particularly by Canadian merchant capitalists, into transportation since the basis of their commerce was the movement of goods.³ Thus they supported development of canal systems and later railways and found British capitalists willing to support their ventures. The mediation role Canadian merchants performed was between Canadian resources (staples) and foreign markets. The supply was often easier to control than the demand, particularly when the foreign 'demand' was determined by other merchant capitalists in the foreign centre or by industrial capitalists processing the resources.

The transition from merchant to financial capitalists was also a logical one. As Geoffrey Kay has pointed out, "the circulation of commodities requires complex financial arrangements, such as the provision of funds to productive capital at the start of the circuit, and the supply of consumer credit at its close. These are undertaken by specialist firms such as banks, merchant banks and building societies, who all have

³Transportation is like financial capital in that it is in the sphere of circulation but like production in that it tends to be long term rather than short term, thus tying up capital. Nevertheless, historically in Canada transportation is clearly aligned with financial capital. This is because the railways were mainly commercially oriented to opening trade in a resource based economy. In the U.S. the railways tended to be more industrial and used to open markets for products.

one thing in common; the only commodity they handle is money" (1975:90). Thus merchant capital in Canada, as elsewhere, began with the decline of mercantilism to specialize in financial institutions such as banks, trust companies, insurance companies and mortgage companies, all specializing in the 'sale' of money and all in the sphere of circulation. Given the ready movement into financial activities and the difficulty of movement into areas of production, Canada's top capitalists committed themselves, and Canada with them, to a vulnerable position within the world system. They sought out and found foreign capitalists willing and able to engage in the sphere of production. The consequences were far reaching. Given Canadian capitalists' specialization in the sphere of circulation, they soon became dependent upon foreign capitalists in control of the sphere of production. In metropolitan nations the consequences were not as important for, as Kay points out, "in capitalist society no fundamental contradiction exists between the sphere of circulation and the sphere of production because both are under the control of the same class" (93). While they were indeed under the control of the same class in Canada, they were not controlled by the same class fractions.⁴ This did, however, make for a non-antagonistic relationship between these two fractions in Canada--the indigenous fraction in circulation and the foreign controlled fraction in production. This division of labour served to greatly reinforce the continental economy and the relationship between these two fractions within Canada.

In metropolitan nations merchant capitalism was defeated by industrial capitalists. Kay notes that merchant capitalists "created the pre-conditions for a thorough-going revolution in the means of production, but its fractional interests, its desire to protect narrow monopolistic privileges, blocked their realisation. As a result the first struggle of industrial capitalism was against its own progenitor: the industrial revolution was a historic defeat for merchant capital" (97). But in Canada the groundwork for the defeat of merchant capitalists by

⁴Class fractions are divisions within as opposed to between classes. The capitalist class as a whole is distinguished from other classes because it owns and controls the means of production thus employing the labour power of others. However, within the capitalist class divisions occur which may or may not be antagonistic, such as those between the spheres of production and circulation, between foreign and indigenous capitalists or between large and medium size capital. These fractions will be returned to later in this chapter.

industrial capitalists was not laid. As a colony its industrial needs were met by foreign industrialists. Thus Canada differed from metropolitan nations in that it was not the Canadian industrial revolution which defeated its merchant capitalists but rather the industrial revolution in the U.K. Marked by the repeal of the Corn Laws and the end of mercantilism, Canada's merchant capitalists were left out in the cold floundering for a new imperial centre to tie to. The U.S. and its industrial revolution provided the sought-after outlet and Canadian capitalists leaned upon the initiative of foreign industrial capitalists as a surrogate for indigenous development.

With Canada's economy shaped to match the resource demands of industrial societies, particularly the U.S. but also to some extent the U.K. and Europe, this reinforced the internal power of financial capitalists in Canada and all those in circulation (although it relegated them to a subordinate international position). The Second World War proved to be the crucial break-point for Canadian industrialization. Immediately upon the outset of the war, the Canadian state took charge, pumping millions of dollars directly and millions more in tax exemptions and depreciation allowances into production facilities (both private and public). The state had an important role in industrializing the country. After the war it dismantled that part of the industrial economy it had directly established by putting these means of production on the selling block. The buyers were predominantly U.S. industrial capitalists seeking to ensure the same dominant position in Canada they had already established in the U.S. It is here that Canada clearly departs from the underdeveloped world for it was perceived by U.S. industrialists as a direct sphere for investment and accumulation in the sphere of production, particularly in manufacturing, whereas resources were the earlier focus. This movement was facilitated by the proximity of Canada and by the relatively wealthy market that could have its tastes cultivated to those of the U.S. market. It was also politically stable compared to the underdeveloped world and its direct investment in production facilities could be ensured. Unlike merchant capitalists who deal in short term capital, that of industrial capitalists is long term and requires much more security.

This means that following the industrial revolution in the U.K. and U.S., Canada's dominant capitalists emerged with the means of circulation

under their control rather than production. As a result, Canadian capitalists dominated internally but not externally. With the shift to the U.S. the role of Canada's capitalists changed to that of servicing U.S. capital and again remaining primarily in circulation and service under the general hegemony of U.S. corporate capitalism.

At the same time as these transformations were occurring in the internationalization of capital, there was also a shift in the locus of international power from Britain to the U.S. With this also occurred the most dramatic break from mercantilism to corporate capitalism and the first stages of the modern multinational corporation (see Block, 1970). As will be illustrated later, industrial capitalists have historically been much more powerful within the U.S. than have their counterparts in Britain and Canada. This will explain much of the differences in the patterns of U.S.- and U.K.-led imperial relations.

The result of these broad developments has been to create an international structure of dependency. Since the U.S. was the first 'new' nation to develop a powerful, internationally generated industrial base, it meant that when other countries began on the road to industrialization these U.S. companies already had the technological and financial base to extend into these developing areas. By creating a system of branch plants throughout the world that were integrated with and controlled by U.S. based parents, the major linkages then occurred between the parent and subsidiary, rather than within the investing nation. In Canada this caused a disarticulation between finance and industry. Thus a new form of dependency, different than in earlier periods of international capital began to be evident.

Theotonio DosSantos has identified three periods of dependency, arguing that the first was "colonial dependence" predominant around the 17th century, where commercial and financial capital, along with colonial states, dominated their colonies through trade relations. Second, around the end of the 19th century, was "financial-industrial dependence" wherein capital was consolidated in the centre nations and from there external expansion emanated, especially in the search for raw materials, and caused a pattern of "foreign-oriented development." Finally, after the Second World War, there was the "technological-industrial dependence" which was "based on

multinational corporations which began to invest in industries geared to the internal market of underdeveloped countries" (1971:227-228).

However, the Canadian experience has been that the "technological-industrial" phase of dependence occurred much earlier in many areas of manufacturing, simultaneous with early ventures in pursuit of resources, although it was not firmly consolidated and expanded until the post-World War Two period. In fact, Canada was regarded in large part as simply part of the U.S. market by many U.S. capitalists and, as a result, was integrated in the consolidation process occurring within the U.S. at the turn of the century. Canadian corporations today in manufacturing are weak because of this tradition of dependence and their weak foundations. As V.O. Marquez, chairman of Northern Electric (now called Northern Telecom), told a recent Canadian Manufacturers' Association meeting, "Canada's problem is that technology and innovation from parent corporations and other easily accessible sources have been so readily available and so economically attractive in the short term, that the growth of systematic, broad-based, indigenous innovative and technological capability has been severely inhibited" (Globe and Mail, June 7, 1972:B2). To understand why this is the case will require a detailed analysis of the continental economy and those who control it.

This brief summary of changes in international capitalism serves to provide a set of concepts and relationships useful for understanding the the historical emergence of Canada and the U.S. within the context of European dominance. In the following chapter, concrete developments within Canada and the U.S. will be explored, focusing on their implications for relations between Canada and the U.S. This summary also provides a theoretical introduction to the differences and similarities between Canada and 'Third World' nations in their relations with metropolitan nations, a subject to be concretely examined in Chapter Five. In the remainder of this chapter, some further aspects of the place of Canada and the U.S. within the world capitalist order will be explored, particularly in terms of the types of fractions which have emerged within the capitalist classes of these nations. Finally, the relationship between elites and classes will be examined, particularly focusing on how classes are able to reproduce themselves across generations.

Relations Between Nations: The World System

Capitalism is a world wide system of organizing production. Canada, as a liberal democracy, is a capitalist nation; its means of production are predominantly under private control. Capitalists are able to operate in and out of Canada and are not confined by national boundaries within this larger system. In fact, the capital they command, the resources they exploit and the products they produce are the essential elements transferred between the various units making the entire complex of relations between nations. But superimposed on this primary economic system are sets of political units, nation states, which redirect, influence and stimulate patterns of capital flows, resource extraction and production.

As suggested earlier, it is imperative to distinguish which classes are involved in these relations between nations and how they 'fit' into the overall system. For example, the argument that 'Canadians' are losing control of 'their' economy to the U.S. is based on a false premise, a premise that 'Canadians' own 'their' economy. In liberal democracies the predominant means of ownership is private, not public. Canadians collectively have never owned or controlled the Canadian economy. Rather, it has been owned and controlled by private individuals and organized into corporate entities. These individuals and their corporate entities are the main actors in the international system. However, for purposes of abstraction and conceptualization, it is necessary initially to simply refer to these relations as relations between nations. As refinements are developed, then the class structures can be taken into account.

The literature on relations between nations is rich with examples and theories of the variety of associations that can and have been established. For the purposes of analysing the continental economy, however, it is important to narrow the field to those theories that are of direct, immediate relevance. This can be done by identifying relations of a similar type by applying two key analytical concepts in the study of international relations. These are the extent of intensity of these relations and the degree of symmetry or asymmetry between nations (see Koehn and Nye, 1973). Canada's relationship with the U.S. is highly intensive since such a great amount of raw material, products and capital crosses their border. In fact, they are likely the two most intensely related nations

based on capitalism that could be found. Secondly, the relationship between them is highly asymmetrical because they have grossly unequal power and population, with the U.S. being some eleven times larger in population and even more so in wealth than Canada. Thus the search for models of international relations that will have some relevance for Canada-U.S. relations can be narrowed to those cases that have highly intensive relations and are asymmetrical. This leads directly to the wealth of literature that has recently been generated to analyse relations between Latin American countries and advanced capitalist nations. While a great deal can be learned from these 'Third World' analyses, it would be misleading to import them wholesale to characterize relations between Canada and the U.S. without first subjecting them to a critical appraisal. The 'models' (that is, components and relationships deemed important) are certainly useful but the theories themselves which account for the relationships must be re-appraised in view of the Canadian experience.⁵

Dependency models, developed primarily for Latin America's relations with advanced capitalist nations, are useful for understanding Canada-U.S. relations because they integrate both national and international class relations. They analyse indigenous class structures in light of their relations with foreign centres. Their central feature is an unequal relationship between interdependent classes which form asymmetrical associations either within nations or between nations. In other words, it is argued that there is a chain of exploitive relations between various classes and regions from the local to the regional to the national and international levels, all serving to accumulate power and resources at the higher levels and drain them from the lower ones. In terms of the continental economy between Canada and the U.S., this chain imagery is important for understanding how it is that relations between these two nations can affect regional

⁵The following section draws on various writings which have attempted to theorize about the nature of Latin American dependency. For a more thorough review, see my "A Political Economy of Regionalism in Canada" in D. Glenday, A. Turowetz and H. Guindon (eds.), Conflict and Consensus: Multiple Loyalties in the Canadian State, Macmillan of Canada, Toronto 1977. The major writers covered include Andre Gunder Frank, Latin America: Development or Revolution, Modern Reader: N.Y. 1969; Johan Galtung, "Structural Theory of Imperialism", Journal of Peace Research, 2, 1971; Osvaldo Sunkel, "Transnational Capitalism and National Disintegration in Latin America", Social and Economic Studies, Vol. 22, No. 1, 1973; and Norman Gir-

disparities within Canada, particularly the fact that most of the U.S. branch plants in manufacturing are centred in Southern Ontario with the effect of aggravating regional disparities within Canada. Thus the inequality between nations stressed in dependency models also serves to reinforce inequalities within nations.

Besides the general inequality between nations stressed in the dependency models, it is argued that these relations tend to create alliances between the dominant classes of both the metropolitan and periphery nations, thus reinforcing the power of each, while at the same time fragmenting the subordinate classes of the two nations. Thus it is argued that it is not sufficient to simply focus on the dominance of one nation over another because there are classes in both nations that benefit from the structure of dominance. This suggests that it is important to analyse the nature of the relationship between the dominant class in the periphery nation and that of the metropolitan nation. For relations between Canada and the U.S., this suggests that it is important to focus on which parts of Canada's capitalist class become aligned with the capitalist class of the U.S. and are thus active participants in the general pattern of dominance.

There is also a suggestion in the dependency literature, at least in the work of Osvaldo Sunkel (1973:170ff), that at least part of the dominant class in periphery nations become internationalized with the development of multinational corporations. Sunkel maintains that in the periphery nation "international mobility will correspond to the internal mobility, particularly between the internationalized sectors of developed and under-developed countries" (170). This suggests that members of the dominant class from periphery nations will not experience barriers in their movement from the branches of multinationals in the periphery nation to the headquarters in metropolitan nations. Data to be presented in later chapters will be able to test this proposition in terms of the movement of officials from branches of U.S. plants in Canada to the parent companies but it will also be able to test whether members of the dominant

van, "The Development of Dependency Economics in the Caribbean and Latin America: Review and Comparison", Social and Economic Studies, Vol. 22, No. 1, 1973. The work of Immanuel Wallerstein is also of importance here and will be examined in this section.

classes of 'Third World' nations have been recruited to the top positions within U.S. multinationals. It will be shown that neither of these patterns has become very pronounced. However, it will also be shown that there is an important core of leading Canadian capitalists who have retained their indigenous operations within Canada but have also been recruited to the board rooms of some of the top U.S. corporations. The evidence suggests that there has been some 'continentalization' of members of the Canadian economic elite but there has been little 'internationalization' of members of 'Third World' nations to the top positions within U.S. multinationals. While these dependency models can be suggestive of features to focus on in understanding relations between Canada and the U.S., it is also apparent that the continental relationship is not identical with that between metropolitan and periphery nations.

Likely, the most ambitious attempt to come to grips with the broad issue of international capitalism is the work of Immanuel Wallerstein although it is by no means complete at this point. In his book, The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century, and in a series of articles (1974a, b), Wallerstein sets out the valuable but enormous task of providing a "world-system perspective." This

is based on the assumption, explicitly or implicitly, that the modern world comprises a single capitalist world-economy, which has emerged historically since the sixteenth century and which still exists today. It follows from such a premise that national states are not societies that have separate, parallel histories, but parts of a whole reflecting that whole ...to understand the internal class contradictions and political struggles of a particular state, we must first situate it in the world-economy (1975:16).

He divides the world into three types: 'core,' 'peripheral' and 'semi-peripheral' states. It is difficult to place Canada within his scheme because what he means by 'semiperiphery' does not characterize Canada's rather unique position. In fact, Wallerstein's framework suggests that core states will be characterized by free wage labour, periphery states by slavery or serfdom while semiperiphery states will have sharecropping (1974c:103). While Wallerstein has some kind of commercial economic system in mind with semiperiphery states, Canada's type of staple economy

was not built on a plantation economy of coffee, sugar, cotton or other similar commodities but on fish, fur and timber, thus producing a radically different social structure because its early staples were dominated by charter companies and not plantations. When dealing with semiperiphery states, he says,

In a system of unequal exchange, the semiperiphery country stands in between in terms of the kinds of products it exports and in terms of wage levels and profit margins...it trades or seeks to trade in both directions, in one mode with the periphery and in the opposite with the core (1974a:6).

In speaking of semiperiphery nations that have "historically made it into the core," he refers specifically to countries who "have worked their way forward, if to less spectacular heights: Belgium, Sweden, and much more doubtfully in terms of the economic structure, Canada. If I add Canada, it becomes clear that fairly 'developed' countries may, to some extent, still be subordinate to other countries in the hierarchy of the world economy" (1974a:16-17).⁶ While it is not possible to judge the outcome of work in progress on this question of a modern world system, for the purposes of dealing with the continental economy between Canada and the U.S. it seems too broad to capture the complexity of the relationship even though there are clear parallels between the work of Wallerstein and dependency theorists.

The Continental System: Capitalist Class Factions

There is little debate that the U.S. is a metropolitan, developed, centre or core nation, depending upon the particular perspective used, but Canada cannot be so easily placed. The paradoxes of Canada's economic structure have already been stressed several times but it is now necessary

⁶There is an attempt currently under way by a student of Wallerstein's, Malcolm Alexander, to place Canada within the world system. However, Alexander uses the term "semi-industrial" rather than Wallerstein's semiperiphery because he maintains the three countries he is studying (Argentina, Australia and Canada) can be "distinguished in terms of their particular structural characteristics, an 'industrial' social structure but a 'peripheral' trade pattern" (1975).

to introduce yet another complexity. Johan Galtung has suggested that some nations may be called "go-between" in that they mediate between centre and periphery nations (1971:104). These go-between nations are not clearly in either camp and may be expected to exhibit some of the characteristics of both centre and periphery nations. This is an important clue to beginning to understand Canada's place in the continental system and its role in the world system because, as will be illustrated in some detail later, a great deal of 'Canadian' foreign investment in the 'Third World' and elsewhere is of this go-between type; that is, much of this investment flows from firms within Canada which in turn are subsidiaries of other companies controlled outside Canada. Galtung's go-between nation identifies both Canada's specific location within the continental economy and its general world position. However, Galtung does not elaborate on what he means by this type of nation except to suggest that they act as mediators between centre and periphery nations, that they would be ahead of the periphery but behind the centre in technological development and that they would deal in semi-processed materials rather than the finished products of the centre or the raw materials of the periphery. While each of these features would apply to Canada, there still remain important unanswered questions. For instance, what effect would this go-between position have on the class formation of such a nation? Because some fractions act as intermediaries or agents for foreign interests does that make all subordinate to outside interests?

In Canada's case it will be demonstrated that members of the Canadian economic elite (the fraction of the capitalist class controlling the largest corporations in Canada) are integrated into the world order in two distinct ways. One is as the go-between of foreign, predominantly U.S. interests, and the second is through their own indigenously controlled corporations. Thus, placing Canada within this system requires a framework somewhat different from that emerging from the Latin American dependency literature because of Canada's rather unique role as mediator of foreign controlled capital plus its own foreign investments as well as extensive foreign investments within Canada itself.

This initial complexity becomes somewhat simplified because, as was suggested earlier, these various types of investments are located in rather

clearly defined economic activities. Foreign investment in Canada tends to be centred in manufacturing and resource sectors (the sphere of production) while the finance, transportation and utilities sectors (the spheres of circulation and service) tend to be indigenously controlled. In terms of Canadian based foreign investments, the same pattern prevails with the sphere of production as go-between and the spheres of circulation and service as direct Canadian foreign investments. As is to be expected, there are exceptions but, as will be demonstrated later, these are typically exceptions that sustain the general pattern.⁷

What now needs to be identified are the components of various fractions of the capitalist class in Canada and their relation to foreign ownership. Based on the splits already discussed within the Canadian capitalist class, several class fractions can be distinguished. These distinctions can be made by using the criteria of control, size and economic sector. Thus, it is important to distinguish between indigenous (those with a Canadian owned and controlled base of power) and comprador fractions (those whose main allegiance is to a foreign controlled base of power in Canada), both of which can be further subdivided into national and international components depending on their scope of control. Compradors are the senior executives and directors of branch plants who follow the directives and policies of their foreign headquarters.⁸ Secondly, a distinction is required between the largest or dominant capitalists and middle range capitalists, depending upon the amount of economic control under their command. Dominant corporations are those companies which control the greatest amount of economic activity in the most important areas of the economy and dominant capitalists are those controlling these corporations.⁹ The final distinction is between the major

⁷ It will be demonstrated in Chapter Five that many of the Canadian based and controlled foreign investments in the sphere of circulation are actually controlled by financial capitalists through two major holding companies, Argus Corporation and Power Corporation.

⁸ For an elaboration of the term comprador and its origin, see Clement, 1975:119f

⁹ The operationalization of the concept dominant corporations will be provided in Chapter Six for both Canada and the U.S. There are 113 dominant corporations in Canada and 194 in the U.S., after all subsidiaries have been consolidated with the parent companies.

economic sectors just discussed: the sphere of production and the sphere of circulation and service.

In Canada these various characteristics tend to cluster so that three major fractions of the capitalist class can be distinguished. (While there are a few who fall outside these types, they do not represent large analytical categories.) The three major fractions are (1) a dominant indigenous fraction in finance, transportation and utilities, to a lesser extent in trade and with much smaller representation in manufacturing and resources (primarily food and beverages, steel and pulp and paper).¹⁰ This fraction is both national and international in scope and is what will be referred to hereafter as being represented by the indigenous Canadian economic elite since the economic elite is that set of people who hold the uppermost positions within dominant corporations. (2) A middle range indigenous fraction, located mainly in relatively small scale manufacturing sectors and not international in scope. Many members of this fraction act in a service capacity to dominant foreign corporations in the sphere of production while others serve regional markets within Canada. They are often dependent on the dominant indigenous fraction for sources of capital and access to markets, thus making them vulnerable to the power of the two dominant fractions of the capitalist class. (3) A dominant comprador fraction in manufacturing and resources, which is both national and international, and located in branch plants of foreign controlled multinationals. This comprador fraction can be further subdivided into location of control (whether in the U.S., U.K. or elsewhere) with the U.S. component clearly the most important in Canada. This dominant comprador fraction will hereafter be represented by the comprador Canadian economic elite since they hold the uppermost positions within foreign controlled dominant corporations in Canada. The fact that this fraction is also international reflects its go-between role. Although dependent itself on foreign capitalists in the parents of foreign based multinationals, it also acts as an intermediary for a significant amount of foreign direct

¹⁰The historical reasons for the participation of indigenous Canadian capitalists in the areas of food and beverages, steel and pulp and paper will be explored in the following chapter.

investment flowing out of Canada.¹¹

The U.S. capitalist class is not as difficult to classify in terms of these distinctions as their counterparts in Canada. This alone reflects the fragmentation of the capitalist class in Canada because of foreign dominance and the unity of its U.S. counterpart. The basic difference, of course, is the insignificant role of foreign controlled capital in the U.S. and the fact that no fraction is go-between. Still, there remain the distinctions based on size and degree of international investment. Those who control the uppermost positions (senior executives and directors) of dominant corporations in the U.S. are hereafter called the U.S. economic elite. This elite is both national and international, including here the distinction between those who are multinational and those who are continental; that is, those who control operations in the U.S. and throughout the world and those who control operations in the U.S. and Canada only. Since virtually all dominant U.S. corporations are both continental and multinational (with some exceptions to be explored later), there is little point in making this analytical distinction. There is also a middle range fraction of the capitalist class in the U.S. which is national and, to a much lesser extent than the dominant fraction, multinational and continental. There is no need to make a distinction based on economic sectors since U.S. control dominates in all, but there is a difference in the degree of international and continental investment depending on sector, as well as differences in sectors' relationships with each other but this will be explored later.

Finally, and this will also be elaborated later, there is a component of both the U.S. and Canadian elites that forms a continental elite through a series of interlocking directorships and social ties in both countries. It will be demonstrated that this continental elite, beyond

¹¹The following is an example of the comprador elite's foreign investment: Ford Motor Co. of the U.S. holds 85 per cent of the stock in Ford Motor Co. of Canada, thus making the Canadian operation a branch plant; this Canadian based company in turn holds 100 per cent of Ford Motor Co. of Australia, New Zealand, South Africa and Singapore, as well as operating plants in Malaysia. The history of Canada's go-between role will be explored in the following chapter and the contemporary pattern will be developed in Chapter Five.

having interlocks between parent and subsidiary companies from Canada to the U.S. and back again, also has important exchanges between dominant Canadian and U.S. controlled companies outside the parent-subsidiary relationship. From the perspective of a continental economy, it will be important to analyse which fractions of the capitalist classes of both countries are involved in this continental elite and to assess the importance of this tie.

A Note on Class and Elites

Before proceeding with the empirical analysis which is at the core of this study, it is important to clarify the meaning given to two terms: the economic elite and the capitalist class. An elite is a set of uppermost positions in any area of life that is organized in a hierarchy. The economic elite is that set of people holding senior executive and directorship positions (the uppermost positions) within dominant corporations (the largest companies). The capitalist class, on the other hand, includes all those in a particular relationship to capital; that is, those who own, control and manage (at a senior level) all corporations employing the labour power of others, including their families.¹² For a sociological analysis it is more convenient in terms of an empirical examination of the people involved to focus on the economic elite than the capitalist class as a whole; moreover, the economic elite is the leading force of the capitalist class and control most of the resources privately owned. Thus by focusing on the elite of a class rather than the class as a whole, it is possible to do a more detailed analysis of the social characteristics of that elite. Identifying an elite is simply a methodological technique for objectively identifying the people occupying the most powerful positions in any activity. It is not a substitute for a class analysis; it is simply a mechanism for making an analysis of characteristics for a particular fraction of the capitalist class.

A further point requiring clarification is how the capitalist class and particularly the economic elite reproduce themselves; that is, the question of continuity within the elite and how people are recruited to elite positions. Ralph Turner has drawn the distinction between two basic

¹²For a more detailed discussion of "Social Class and Elites", see Clement, 1975:5-11.

types of mobility: contest and sponsored. Contest mobility is characterized by an open system where an individual gains some desired end by competing with others on their own merits in a 'contest' governed by 'fair play'; in other words, it characterizes the type of mobility system projected in the dominant ideologies of liberal democracies where there is a fluid movement of individuals with equal opportunity for all. Sponsored mobility, on the other hand, means that established powers select recruits based on criteria set by those in power; there is a "controlled selection process. In this process the elite or their agents, who [they feel] are best qualified to judge merit, call those individuals to elite status who have the appropriate qualities" (1966:450-451). As an example of sponsored mobility, Turner provides the telling illustration of private clubs "where each candidate must be 'sponsored' by one or more of the members." This type of mobility is in opposition to the dominant ideology of open and free competition where the criteria of access are those established by the broad community as opposed to closed selection by those already in power. Thus, under the sponsorship system, the values and qualities deemed important are confined to a few who are able to set the 'standards' of admission. This relatively simple distinction has important ramifications for understanding the process of elite selection and recruitment. The theoretical complexities of the distinction actually have much older intellectual roots and more recent analysts have refined and developed the core idea contained in the dichotomy.

The notion of social 'closure,' the basis of a sponsorship system, was first introduced by Max Weber, who specified some of the criteria and processes involved in creating 'communities' of interest: .

When the number of competitors increases in relation to the profit span, the participants become interested in curbing competition. Usually one group of competitors takes some externally identifiable characteristic of another group of (actual or potential) competitors--race, language, religion, local or social origin, descent, residence, etc.--as a pretext for attempting their exclusion ...The jointly acting competitors now form an 'interest group' towards outsiders...Such closure, as we want to call it, is an ever-recurring process; it is the source of all guild and other group monopolies (1968, I:341-342).

Recently Weber's theory of social closure has been revived and applied empirically. For example, Gertrude Neuwirth uses it with reference to race relations and communities. She says, "Communities are defined in terms of the solidarity shared by their members, which forms the basis of their mutual orientation to social action" (1969:148). The formation of communities leads to a situation where "community members will tend to monopolize economic, political, and/or social advantages. The process aimed at such monopolization is called 'community closure.' Such closure may, of course, be achieved to varying degrees ranging from the total exclusion of outsiders to the admittance of certain new members who fulfill specified conditions" (149-150).

Although she does mention the implications of closure for economic power, her main application led into a different direction than to be pursued here. The major theoretical application of these concepts to social classes has been the work of Frank Parkin.

Parkin's article on "Strategies of Social Closure in Class Formation," working with Weber's original concepts, provides some important analytical suggestions for developing the relationship between social classes and the economic elite. Specifically, it helps to develop the relation between the concepts power, class and elites. Following Weber, he says social closure "means the process by which social collectivities seek to maximize rewards by restricting access to a circle of eligibles," going on to specify that social closure involves "two general strategies for staking claims on resources: those based upon the power of exclusion and those based upon the power of solidarism" (1974:3-4). Exclusion, he argues, is the key mode of closure in systems of stratification while solidarism is more of a reaction by those excluded. Those in power attempt to remain in power by controlling the means of access and using their position to enhance their own continuity and that of others they deem acceptable. As Parkin says, "The rise and consolidation of ruling groups has been affected by the restrictions of access to valued resources, such as land, esoteric knowledge, or arms, to a limited circle of eligibles" (6). Aristocracies used 'family' as a means of closure but with capitalists property and position have taken the place of descent. However, this does not mean that inherited private property does not remain central to capitalism.

Since the purpose is to develop an understanding of elite recruitment in dominant corporations and since these corporations are characterized by stability and a sponsorship type of access, it will only be necessary to confine the following discussion to practices of closure adopted by members of the economic elite. Two broad types of criteria used for exclusion are ascribed and acquired characteristics. Although there is some overlap between the two, the essence of their difference can be maintained. Ascribed attributes include characteristics over which an individual has no control such as sex, class of birth, region of birth, race or ethnicity while acquired characteristics are at least partly due to the activities or career of the persons themselves, although these cannot be totally divorced from origins. At least some acquired characteristics will also be affected by origins, such as particular universities for training because of the costs of tuition borne by the parents of the children involved, while other characteristics would not be, like the 'loyalty' and 'endurance' of those making a 'long crawl' through the corporation. Under a sponsorship system either ascribed or acquired characteristics can be used as means of exclusion. For example, a person may have a position of power because of the activities of their parents, such as being selected to inherit a corporate post or having property transferred to them. On the other hand, someone may be selected by those already in power because they have desirable attributes (desirable that is, to those already in power). By examining characteristics of the economic elite it is possible to determine what types of characteristics have been used to exclude others and evaluate how open or closed the elite is to the population.

Since the corporate world is not the only power centre in liberal democracies (the other crucial centre being the state), it is possible that privileges gained in these other centres may also provide persons with advantages to be transferred to their offspring. It is, therefore, useful to provide another concept, broader than the capitalist class, to encompass these other power holders. This broader set of people will be called the upper class which includes, in addition to the capitalist class proper, their families and elites from other key institutions such as the state and their families. In other words, the upper class includes the entire capitalist class, state elites and their families. This means

that all members of the economic and state elites are regarded as members of the upper class because of their current positions. However, they may be drawn from other classes. That is, their class of origin may differ from their current class position and if this is the case, they have experienced upward mobility. This is one of the key characteristics of the elite which will be examined.

To summarize, the strength or effectiveness of closure among the economic elite will be variable; similarly, the particular attributes selected as a means of exclusion will vary. The extent of this variation will be evident in the attributes empirically analysed in the following chapters, especially comparing the Canadian and U.S. economic elites. It will be possible to determine the extent to which the upper class is able to transfer its privileges and prerogatives of power to its offspring through marriage, inheritance and advantages such as private schools. It will also be possible to see what other characteristics (whether ascribed or acquired) for people with middle and working class backgrounds are used for exclusion. These include such qualities as educational training like science, law or commerce; experience and knowledge through experience such as political or military careers or intracorporate experience; and honorific or token appointments that may be made for groups like women or Blacks. It will be argued that the upper class has been successful in transferring its privileges among the economic elite across generations. That is, the upper class 'sets the pace for' and determines the criteria of admission and exclusion for entrance into elite positions by socializing those nominated within the corporations and in the club room circuit. Members born into the upper class tend to hold their elite positions longer than those outside it who, in turn, tend to be more transitory or reach the elite only after long crawls.

To say that the economy is run by the economic elite which is able to absorb the leading elements outside the upper class into its ranks on terms set down by itself is an important qualification to the mobility some experience into the realm of key decision making. It is saying that private property--the key transmitting mechanism of the upper class--can be complemented by key outsiders--politicians, lawyers, technicians, etc.--who are well rewarded for their ability to make capital grow. In fact,

these outsiders can earn at such high rates and be rewarded with stock options thus allowing them to become part of the upper class and transmit their privilege to their offspring. This approach attempts to conceptualize the self perpetuating nature of the elite and show how it uses its power to provide continuity between generations while at the same time absorbing 'desirable' outsiders. The extent to which this occurs and the characteristics nominated will be important for understanding the nature of the economic elite; moreover, formulated this way, access to the elite is an empirical proposition which can be examined in light of the data.

What are the implications of this for the relationship between social mobility and social classes? Theoretically, social mobility and social classes exist as independent aspects of stratification; that is, recruitment is independent of the class structure. In practice they turn out to be interdependent dimensions of inequality with class of origin determining, in large part, class of destination. The degree to which classes are 'open' or 'closed,' whether in terms of intergenerational or intragenerational mobility, will affect the way class cultures are established and the way class will be experienced. While the extent of mobility will affect the way class boundaries are experienced or formed, closure allows both change and continuity by drawing in outsiders but admitting them only if 'properly' socialized and acceptable, thus preserving the essential nature of the upper class and its institutions.

What then is the relationship between the economic elite and the upper class? They are both part of what C. Wright Mills called "the higher circles"; that is, "a set of groups whose members know one another socially and at business, and so, in making decisions, take one another into account. The elite, according to this conception, feel themselves to be, and are felt by others to be, the inner circle of the 'upper social classes'" (1956: 11). Recently, G. William Domhoff has stressed the linkage between the concepts class and elite, defining "the power elite as active, working members of the upper class and high-level employees in institutions controlled by members of the upper class. The power elite has its roots in and serves the interests of the social upper class" (1970:106-107). While the strength and importance of his work is empirical rather than theoretical, this does

point clearly to the class-elite linkage by analysing the "cohesiveness," "consciousness" and "consensus" among members of the upper class and elite in the U.S. As the basis of class consciousness, Domhoff considers both in-group interaction and differential lifestyles. As indicators of these, he uses intermarriage, private schools, clubs, summer and winter resorts and acquaintance patterns to illustrate "social cliques" (1970:75-88). His purpose in using these indicators is to show that the power elites in the United States are rooted in and act on behalf of the upper class, thus forming a class unity which transcends particular corporations, positions or individuals.

The work of E. Digby Baltzell, from a different ideological perspective than Domhoff, has also advanced the relationship between the concepts class and elite. He has recognized that the concept elite tends to have a rather temporary perspective and be limited to individuals rather than facilitate an historical focus. He argues that,

in any comparatively stable social structure, over the years, certain elite members and their families will tend to associate with one another in various primary group situations and gradually develop a consciousness of kind and a distinctive style of life. The upper class concept, then, refers to a group of families, descendants of successful individuals (elite members) one, two, three, or more generations ago, who are at the top of the social (subjective) class hierarchy (1966:267; see also 1958:7).

The extent to which an elite will be able to reproduce itself intergenerationally will determine the strength and viability of an upper class in terms of its ability to acquire most of the advantages a society has to offer. The existence of a traditional upper class means that elites are able to transfer their advantages to their offspring; it also means that the upper class enjoys the benefits of most of the resources an elite is able to extract from the rest of the population. In other words, elites who transform their power into upper class privileges are a major means of reproducing inequality. Essential to the relationship between the elite and the upper class are a set of families and institutions (private schools, clubs, etc.), which provides stability and direction to the elite. The upper class serves as the reservoir for elite members and enjoys the

majority of the benefits. It is primarily a class of inheritance but it is also a class of nomination in that people of middle class origin, and occasionally people of working class origin, are drawn into it if they adhere to the values and 'rules' of the upper class, and are of value to it.

The upper class is a property class, a set of families who own large amounts of surplus capital. While the middle and upper reaches of the working class have personal property--homes, automobiles, pension plans and even small portfolios for savings--they do not own sufficient capital to invest for control. Some elements of the upper class are rentiers who have sufficient capital that they are able to live off its interest. They manage their portfolios but do not mobilize their capital for control. Other elements of the upper class use their wealth for accumulation and hence exercise their ownership rights for control, to command corporations and ensure their interests are taken into account. These are the active members of the upper class--the economic elite. While it is possible to become a member of the economic elite without first being a member of the upper class, these members tend to accumulate large amounts of property on the road to the elite.

Having now provided the necessary theoretical and conceptual background for beginning to come to an understanding of the continental economy, it is now possible to move on to an overview of historical developments leading to the current patterns. This involves examining the relationship between Canada, the U.S. and Britain and an explanation of why the U.S. and Canada differed in this respect. It will also involve explaining why the U.S. industrialized in the manner it did and how this industrialization affected Canada.

CHAPTER THREE

Setting the Stage for a Continental Economy¹

In this chapter it will be shown why and how U.S. capital entered the Canadian economy, from which economic sectors and under what conditions. Simultaneously, it will be used to develop an overview of economic power within the U.S. and contrast this with developments in Canada. This analysis will provide the basis for explaining similarities and differences between the Canadian and U.S. components of the continental corporate elite. What is of particular importance in Canada's development is the articulation (or lack of it) between various economic sectors.

Broadly similar processes were occurring in the U.S. economy as in the Canadian economy throughout the past century--consolidation and concentration, the transformation from entrepreneurial to corporate capitalism--but there are also marked differences in their time sequences and results. These include different types of relations between industrial and financial capital, different external relations such as Canada's tie to the U.K. as opposed to the U.S. break and, as a result, different rates of industrial development which placed Canada behind the U.S. and left it vulnerable to U.S. corporate penetration. The closeness of the two economies and the differences in their 'rhythms' of development account for the current continental configurations. In the U.S. abrupt breaks with the past occurred twice. First with Britain during the American Revolution of 1776 and secondly during the Civil War in the 1860s and the defeat of a commercial

¹Since I have not done original historical research, I cannot claim originality in this historical chapter, aside from attempting to synthesize the work of others and attempting to lend to that work some interpretation of how developments within the U.S. can be used to explain its impact on Canada. Although literally hundreds of sources have been surveyed for the material in this chapter, a few works stand out as most important: H.G.J. Aitken, American Capital and Canadian Resources (1961); J.B. Brebner, North Atlantic Triangle (1945); Cleona Lewis, America's Stake in International Investments (1938); Marshall, Southard and Taylor, Canadian-American Industry (1936); O.J. McDiarmid, Commercial Policy in the Canadian Economy (1946); Tom Naylor's two volume, The History of Canadian Business, 1867-1914 (1975); and Myra Wilkins' two volumes, The Emergence of Multinational Enterprise and The Maturing of Multinational Enterprise (1970, 1974). To avoid repetition, material contained in Chapters Two and Three of my The Canadian Corporate Elite has simply been summarized. Rather than focus extensively on internal Canadian development, the thrust of this chapter is on developments within the United States and their impact on Canada but this had to be set within the context of indigenous Canadian patterns.

South by an industrial North. Canada's developments have been gradualist. The Canadian parallels were much less dramatic, and much less effective--not until the First World War does the British connection disintegrate and Canada's commercial interests are never really defeated. U.S. financial capitalists differed from their Canadian counterparts in that they were independent from external ties--in Canada's case with Britain--and the emerging industrial interests were able to gain a much stronger hold in the formative stages of U.S. development.

The basic contradiction in Canadian society is that it is an advanced industrial society but its own capitalists are mainly commercial and not industrial; that is, the industrial initiative has been sustained by external forces emerging primarily from the U.S. while the indigenous industrial forces have often been suppressed. To explain this phenomenon requires an analysis of the industrial thrust from the U.S. and the suppression of industrial forces by commercial interests in Canada. This uneven development within Canada can then be contrasted with the indigenous industrialization of the U.S.

I. Common British Origins and Colonial Rule (to the 1770s)

Initial ties for both Canada and the U.S. stretched across the Atlantic and these ties were cemented for both by charter companies. Each was on the receiving end of a grand-mercantilist design (see Williams, 1966: 40ff). The economies of the colonies reflected the British ruling class' demands for staples and, in part, its social structure as members of the aristocracy were sent to manage the affairs of the colonies. The result was the establishment of landed estates (in what is now the U.S.), mainly for the production of tobacco, cotton and corn, and throughout the colonies, charter companies for the accumulation and transportation of commercial commodities. With this grew a class of small merchants and traders. As Myers described it:

The great chartered companies monopolized the profitable resources. The land magnates exacted tribute for the slightest privilege granted. Drastic laws forbade competition with the companies, and the power of law and the severities of class government were severely felt by the merchants. The chartered corporations and the land dignitaries were often one group with an identity of men and interests (1936:51).

The colonial merchants were constrained in two ways; they could act only as distributors of goods imported by the charter companies and they were prevented from manufacturing their own goods, thus inhibiting their diversification. When they did attempt to compete, the power of the state was summarily brought to bear. Export duties were imposed and when these failed as effective deterrents, the British Parliament prohibited export of woolens, linen, paper, hats and other rudimentary manufactured products. As would be expected, "smuggling became general" (Myers, 1936:57). The navigation acts of 1660-1661 formalized the trade restrictions and protected the colonies for British goods, to be carried in British ships. But in the rural areas of the Thirteen Colonies, crafts and small manufactories began to emerge in the form of small grain and paper mills and iron works to service the local needs. Some merchants expanded into land speculation and some became agents for British commercial houses.

Many of the early manufactories in the Thirteen Colonies were proving successful; for example, "having produced an irrelevant one-seventieth of the world's pig and bar iron in 1700, the colonies were racing toward the one-seventh share they would turn out in 1755. By that time, their production was more than that of England and Wales combined" (Williams, 1966: 103). The British reaction was to "put crude iron on a free list and denied to colonists the right to extend the manufacture of wrought iron" (Hacker, 1970:29).

At the same time British North America (B.N.A.) was feeling the wrath of the British in yet another way with the Conquest of New France in 1760. B.N.A. also experienced the charter companies of Britain in pursuit of fish and fur. But B.N.A. was less favoured in terms of developing a local market for the growth of manufactories and its territories were more under the quasi-military rule of the Hudson's Bay Company (see Clement, 1975:45-49).

From the beginning, there were marked differences in the geography and demography of the colonies, differences that were to become even more telling. As Donald Creighton noted for this period, "Two colonial societies, rooted in two different American landscapes, had come into existence on the continent; and while one was scattered sparingly along the giant system of the St. Lawrence and the lakes, the other, more

compact and populous, had grown up on the Atlantic seaboard" (1956:2). While B.N.A. was basically a resource colony, the Thirteen Colonies were more oriented to settlement. But the main difference was to be expressed in the reaction of the more settled colonies of the eastern seaboard to the constraints of colonial rule.

II. Mercantilism and The American Revolution (1770s to 1830s)

There were radical differences in the economies of the Thirteen Colonies, with the major cleavage occurring between a commercial North-East and a plantation South and following from this a great difference in their relations to Britain. This is best illustrated in the post-Revolutionary debts claimed by British merchants. Of the three million pounds claimed, 84 per cent was against Southern plantations and only 16 per cent against commercial interests in the North-East. As Sheridan explains, this was the result of the peculiarities of British mercantilism:

In broad outline this was a system of commercial restriction by which the colonies became a captive market for the manufactures of the mother country and an exclusive source of supply for certain exotic commodities... the colonies which produced exportable staples that complemented the products of the mother country were more highly regarded than those which produced competitive commodities... In contrast with the semi-open and commercially active economy of the northern provinces, the economy of the plantation provinces was integrated with that of the mother country in what was essentially a closed and metropolitan oriented system of trade, shipping and finance (1966:51-52).

Thus the Southern plantation system complemented British mercantilism with the South's export of staples and import of manufactured products and, in addition to the planters in the South, there also emerged a merchant-factor class which mediated between the two economies and often extended credit for up to a year.

Thus the Southern slave society was much more tightly bound to the British system. As Brebner puts it, using a distinction made earlier between circulation and production, "The south was willing enough to accept both goods and workers from British suppliers. The north wanted to make its own goods or buy them in the cheapest market and it contained few slaves" (1945:38-39). These contradictory forces were bound to mani-

fest themselves in the pressures brought to bear on the British government (and ultimately within the U.S. itself). Merchant-factors were also prominent in the North but there was another important difference; "while the merchants and factors in the southern colonies were mostly Englishmen and Scotsmen who became Loyalists during the Revolution, those to the north were generally native Americans, who, with few exceptions, supported or at least acquiesced in the colonial cause" (Sheridan, 1966:53).

This is an important distinction because, as Harold Innis points out in The Cod Fisheries, the fur trade, B.N.A.'s primary staple of this time, had a capital structure very similar to that of the plantations:

The effectiveness of short-term credit in commercialism based on the fishing industry was in striking contrast to the limitations of long-term credit in the fur trade and in the plantation colonies. Staples demanding long-term credit were dependent on capital control in relation to the metropolitan development of Great Britain. Under these conditions the effectiveness of staple interests was evident in political influence and legislation. With dependence on commercialism as in New England the essentially close relationship between the economic and political institutions of the British Empire disappeared (1940:212-213).

This needs to be underscored since it explains an important difference between the revolutionary impetus of the North-Eastern colonies compared to those of B.N.A. and draws an important distinction between different types of commercialism in these two areas. The commercialism of a staple economy permeates all the institutions of that economy, including the political hold of the Imperial centre. But the commercial merchants of the North-East traded with Britain as well as on their own; that is, they were not so entirely committed to the mercantile system as were the commercial interests of a staple economy and indeed were constrained by the mercantile policy when laws were passed to inhibit their trade patterns. The products of a staple economy on the other hand were designed primarily for the Imperial centre's requirements.

In the Thirteen Colonies, in the decades prior to the Revolution, a mercantile class came into being based on commerce and landholdings (see Douglas, 1971:23ff; also Van Alstyne, 1965:22ff). Even in this period, "The upper classes and the older colonial families maintained at least regionally, strong standards of social and religious decorum and they

had fallen into deeply engrained habits of living" (Brebner, 1945:34). The same pattern prevailed in B.N.A. with the 'Family Compact' of Upper Canada, the 'Chateau Clique' of Lower Canada and the 'Maritime Oligarchy' of the east coast (see Clement, 1975:49-52). But what needs to be stressed is the regional character of these classes. Just as there were cleavages in the B.N.A. between York (Toronto), Montreal and Halifax, so in the Thirteen Colonies between North and South. However, there was a fundamental difference in the nature of these cleavages. In the Thirteen Colonies the cleavage was between two modes of production--between a plantation economy based on slavery and a nascent industrial economy based on free wage labour. In the B.N.A. the regional cleavages all took place within one mode of production--a mercantile economy with limited labour requirements where all three regions acted as mediators between Canada's resources and the British Empire's demand, thus drawing them into rather than away from the Empire.²

But the luxury of an empire was not without its costs. Britain was experiencing the high administrative costs of managing its colonies and added to its burden was the debt accumulated from the Seven Years' War. The pressures in Parliament were strongly in favour of forcing the colonies to pay for themselves. There were also pressures from British commercial interests feeling competition from the North-Eastern colonies. These pressures led Parliament to impose revenue producing and restrictive measures; these, in turn, produced the catalyst for the revolutionary impetus in the North-Eastern colonies.

These pressures culminated in the Proclamation Line of 1763, the Stamp Act of 1765, the Townshend Duties of 1767, and the Tea Act of 1773. All imposed the greatest restraint on the North-Eastern colonies. The final act, interestingly enough, was the Quebec Act of 1774, imposed to appease the interests in B.N.A. Its purpose was to keep the West open so the supply of fur and timber staples would be insured. The "recipients

²In the words of Donald Creighton, "The British-Canadian merchants were soon to become distinguished for their obstinate loyalty to the empire and for their old-fashioned devotion to the mercantile system" (1956:30-31). Moreover, as Canadian merchants of the time argued in London, B.N.A. "was a valuable colony. It conformed perfectly to the requirements of mercantilism. It supplied the staples, furs, fish and oil; it consumed and did not compete with British manufacturers; and it provided an outlet for British shipping" (4

of the royal bounty, in the shape of great tracts of land, were to be British (English and Scottish) merchants, army officers, and rich landlords, and not the colonials" (Hacker, 1970:43). In Van Alstyne's terms, "The Quebec Act threw the weight of the Imperial Government behind the commercial empire of the St. Lawrence" (1960:38). The colonials of the North-East felt their interests betrayed. In contrast, on the horizon

The Constitution held out to merchants and manufacturers the advantages of a large free-trade area, a single national currency, the protection of commercial credits in all the states, and a stimulus to business that would come with the issuing of sound public securities. Merchants and shipowners also stood to profit from federal laws giving preference to American-owned ships and from the backing in foreign trade of a strong government endowed with effective bargaining power. Manufacturers and artisans could now link to the Union for additional benefits in the shape of bounties and tariffs (Nettels, 1966:84).

In 1775, the Continental Congress struck a 'committee of secrecy' to build up arms and prepare an army. As Van Alstyne points out, the committee was dominated by "prominent merchants" who "used their positions on the Secret Committee for the enrichment of themselves, their relatives, and their friends" (1965:79-82). The Americans were entrepreneurs from the beginning.

B.N.A. was also in their design from the beginning, as General Washington dispatched Colonel Benedict Arnold and General Montgomery to take Quebec City and Montreal. But for military blundering, the area would have been occupied.

The immediate impact of the American Revolution on the economy of the newly formed United States was not to have been initially as impressive as the promises of the Constitution had suggested although the long term implications were to be enormous. The American Revolution was not accompanied by any radical upsetting of the economic interests that had been solidifying for some time in the North-East, in fact, it reinforced their position. It did, however, disrupt the place of the South in the world system. But after the smoke had cleared, the British once again sought out the commodities of the South. As Barrington Moore, Jr. has observed:

Since it did not result in any fundamental changes in the structure of society, there are grounds for asking whether it deserves to be called a revolution at all. At bottom it was a fight between commercial interests in England and America, though certainly more elevated issues played a part as well (1966:112).

Whether a revolution or not, it certainly propelled the U.S. along a path not to be followed for over a century by Canada and it removed the U.S. from the distorting ties of an external economy.

Following the colonial break, land remained an important source of wealth but the land ownership class was soon surpassed in power by the trading classes. It was the merchant class that "provided the early American banks with stockholders who were partly men of inherited wealth, accumulated in the colonial era, and partly nouveaux riches...and the fact that the early American banks had been dominated by socially prominent cliques exerted in time a considerable influence" (Redlich, 1966:246). These merchants were not averse to tapping the British capital markets for their ventures, as the British connections of George Peabody, who was instrumental in forming J.S. Morgan and Company, demonstrated (see Lewis, 1938:12). There was also beginning to develop a class of manufacturers who "came from the old class of mechanics and craftsmen" and were often backed "with the financial aid of merchants who had capital to invest" (Beard, 1968:194). But these were typically of a small scale and adapted still to the local markets. Some were like Nathan Appleton, who turned "from mercantile pursuits" to "put his capital into large-scale textile manufacture" (Cochran, 1966:220). Merchant interests were thus important to the nascent industrial interests in the U.S. Freed from the colonial constraints to trade on the world market, this "boom in overseas trade beginning in 1793 created surplus capital which could be fed into industry as the profits from trade declined after 1807" (Douglas, 1971:92).

The fact that most of the manufacturing enterprises in the U.S. at the turn of the 19th century were relatively small is underscored by the low number which were incorporated at the time.³ In 1800, there were only

³These early manufactories were small but rapidly becoming organized. For example, "New York's Central Committee of Mechanics was founded in 1785 and soon thereafter became the Manufacturing Society of New York. An Association of Tradesmen and Manufacturers in Boston was matched by the Pennsylvania Society for the Encouragement of Manufactures and Useful Arts" (Williams, 1966:14

about 300 corporations, 255 in transportation and public service, 67 in banking and only six in manufacturing (Davis, 1917, Vol. II:24). But this condition of small firms with low capital requirements, high competition and local markets would not last long. Soon the commercial interest, with their large capital pools, would shift toward the home market. "One after another, between 1812 and 1830, the bigger houses abandoned world trading and shifted their capital to internal ventures such as banking, transportation, acquiring of western land, and manufacturing" (Cochran, 1966:217). The economy of the U.S. was changing and manufactories were becoming a more important part.⁴ For instance, half the immigrants between 1783 and 1812 were located in non-agrarian jobs. And other activities were also expanding; with only 29 banks in 1800, by 1816 there were 246 and U.S. ships were carrying over 90 per cent of the country's trade (Williams, 1966:186).

Not all of the country's capitalization was supplied internally. For example, the Bank of the United States had 56 per cent foreign ownership when it folded in 1841 and the Erie Canal, the first successful venture of its sort in the U.S., completed in 1825, had the greatest part of its \$7 million bond issue picked up by British investors, as were many early railway bonds (Lewis, 1938:17). Thus the British capital market was made as available to the U.S. as to B.N.A., even after the break with the mother country.

Nor had the end of the American Revolution quelled the aspirations of taking control of the entire continent, including the territory that is now Canada. A detailed examination of American designs for capturing B.N.A. during this period is provided in Van Alstyne's lecture on "The Conception of the American Empire." The War of 1812 was only the most dramatic expression of these aspirations. Thomas Jefferson, among others, thought it "a mere matter of marching" into the British provinces to proclaim their "liberation." His thoughts were based on the fact that "on the eve of the War of 1812 eight out of every twelve persons in Upper Canada were of American origin, and two thirds of the elected members of the provincial legislature had been born in the United States" (1960:88).

⁴Williams sees the "rise of manufactures to a position of parity", symbolized in the creation of the congressional Committee on Commerce and Manufactures in 1819 (1966:201).

While the U.S. forces drastically underestimated the British resistance and lost the battle, they won the longer war since the British were put in the position of signing a commercial treaty in 1815 and in 1818, a boundary convention that split the Great Lakes and extended the boundary along the 49th parallel.

But what was the main impact of the American Revolution on B.N.A.? Surprisingly, the main effect was not from the U.S. but from Britain. With the Thirteen Colonies lost as an important source of staples, the U.K. doubly directed its requirements in Canada.⁵ Besides furs, which were the basic export staple, after the American Revolution Britain turned to Canada as a "granary and commercial complement to the West Indies...and as the United States forced her way back into imperial commerce, Canada grew in value as a supplier, a market, and an entrepot" (McDiarmid, 1946:11). This was particularly the case when the Embargo of 1807 and the Non-Intercourse Act of 1809 prevented U.S. competition in Britain thus projecting Canadian commercial capitalists to the fore in British foreign trade following the Napoleonic Wars.

The effect was "the abrupt elevation of the British North American colonies from obscurity and poverty to prominence and prosperity. Britain discovered that she needed not only all the timber, lumber, and wheat which they could produce, but all that they could attract to their ports from the United States" (Brebner, 1945:87). As a result, Montreal and Quebec City boomed as timber ports and shipbuilding centres. After the war, however, British supremacy in the West Indies was successfully challenged by the U.S. and by 1822 the hope that U.S. trade with the West Indies would be diverted through the Maritimes was dashed. Attention then became focused on the St. Lawrence as the entry point for Montreal merchants' trade to the interior, as a trade avenue from the American West to the world outside (see McDiarmid, 1946:32ff).

⁵Donald Creighton notes: "the emergence of the United States as an independent nation produced an immense dislocation in British imperial trade in the North American world. The trade relations between Great Britain and her Atlantic possessions on the one hand and the United States on the other were too vital to be severed...Canada's position was slightly dubious. Canada wanted a little of something from both parties. It wanted free trade in the interior of North America; but it also wanted mercantilism on the Atlantic Ocean" (1956:103).

In the end, the B.N.A. colonies were destined to a subordinate position. As Brebner summarizes their vulnerable location in the North Atlantic triangle around this time:

Against British and American strengths, the British North American colonies had little to offer. In every field of production and sale, except for the fur trade, they were seriously inferior to the Americans, largely for want of equal resources and capital of their own, but partly because of their subordination to British imperial policies (1945: 75-76).

The weakness of the B.N.A. colonies at this time had several sources. On the one hand a small, primarily self-sufficient rural population provided little demand for manufactured goods. Adding to this problem was the draw of the U.S. to new arrivals, thus keeping the population in B.N.A. down. Spelt estimates that about 60 per cent of the immigrants arriving in Montreal between 1827 and 1837 crossed over to the U.S. (1972:55). On the other hand, the capital structure of the period aggravated the situation, as H.C. Pentland has noted:

So long as economic life in Canada consisted in the looting of surface resources (furs, seals, timber) capital requirements were limited to the provision of short-term mercantile capital, circulating capital...Long-term commitments [in fixed capital], horror of the mercantile system, could be avoided ...the weight of Empire was all against manufacturers (1950:460-461).

The U.S. was drawing the population to serve as a skilled labour force and a ready demand for manufactured products but most importantly, it no longer bore the constraints upon manufacturers imposed by Empire. It was free to march a singular path to indigenous industrialization. While B.N.A.'s merchants were still turned toward the Imperial centre, those in the U.S. were turning inward toward industry.

III. Prelude to an Industrial System and the Civil War (1830s to 1860s)

Manufacturing Takes Hold in the U.S.

The basis for an industrial system was being firmly built in the U.S. prior to the Civil War. Although predominantly small and oriented

to food production, cotton mills and other commodities, the manufactories of the period had an independence that was not possible to forge under colonial rule. By 1860, 1,385,000 workers, or about one sixth of the labour force, found employment in these manufactories. Taking into account those engaged in raw material supplies and circulation of manufactured goods, the census reported that a one third of the U.S. population was supported (directly or indirectly) by manufacturing (see Beard, 1968:190-191). While most of this manufacturing activity was centred in New England and the Middle Atlantic regions, centres in the East North Central were becoming important for manufacturing and merchandising, especially in clothing and agricultural machinery.

Meanwhile, the South remained a plantation economy. "In 1850 the annual value of manufactures produced in the free states was more than four times the output of manufactures in the slave states... In 1857, the free states had 17,800 miles of railway lines; the slave states only 6,800 miles" (Beard, 1968:201). While the economic bonds between the North-East and North-West were cemented by rails, shipping and a flow of goods, the South was still operating within a completely different economic system.

In the North an integrated transportation network of rails, canals and ports was taking shape while in the South "roads tended to radiate outward from the cotton country, and were mainly engaged in getting southern staples to seaports" (Douglas, 1971:244). This Southern staple economy was reflected in its social structure with a small but powerful ruling class of plantation owners, a class of independent farmers with few or no slaves and the slaves themselves.⁶ But the great fortunes of the era were being accumulated in the North, in the activities of trade, promotion,

⁶According to Hacker, 15 per cent of the slaveholding families had three quarters of all the slaves and only one quarter of the white families in the South held any slaves in 1860 (1970:169, Table 28). Slavery did not become widespread in B.N.A. because, in the words of H.C. Pentland, of "the unsuitability of slavery as a solution to Canada's labour problems... Only in a plantation agriculture, with a need for continuous, large inputs of low-grade routinized labour, could slavery pay" (1959:452; also see Ryerson, 1960:233-241).

railway and canal construction, private banking and, to a lesser extent, manufacturing (see Myers, 1936:146-190; Hacker, 1970:77).

As the U.S. economy developed, the corporate form of organization began taking on prominence, stimulated by the advantages of limited liability in the competitive and risk-ridden manufacturing sector and the need to raise large amounts of capital in the transportation sectors of turnpikes, canals and railways. And government aid, especially in the transportation sector, became commonplace "as a supplement and stimulus to private enterprise, not a substitute for it," supplying between 25 and 30 per cent of the capital requirements (Douglas, 1971:74-75, 247). Besides state aid, the other major source of capital was the British bond market, at its peak providing \$30 to \$40 million annually and "for more than three-quarters of a century furnished American railways the principal market for their securities" (Lewis, 1938:36-37). Like B.N.A., the U.S. enjoyed ready access to the loan capital of Britain, but unlike B.N.A., without the constraints of Empire to mold it to an external economy.

Prior to about 1850, the commercial banks were engaged largely in the movement of goods, but after that time substantial amounts of capital were being funnelled into industry. This was facilitated by the autonomous unit banking system with each pursuing its own local policies. From only five banks in 1791, there were 338 in 1818, 834 by 1850, and 1,562 by 1860 (in contrast, there were only 21 Canadian banks by 1868).

Aside from the private U.S. banks (whose purpose was to funnel capital into the U.S.), like the House of Morgan in Britain and Lazard Frères in Europe, there was little U.S. foreign investment during this period. Myra Wilkins' survey of the period concludes:

Although American traders, individual citizens, and some corporations had made foreign direct investments before the Civil War, two prerequisites for international business were absent: the first was speedy transportation and communication to distant places; the second was the transformation of the American corporation into a national enterprise (1970:35).

In other words, it was not until U.S. corporations broke out of their regional character into national corporations that the necessary conditions for foreign expansion would be met.

Canada and the End of Mercantilism

From the vantage point of B.N.A., the emergence of a new stage in international capitalism was marked by the abolition of the Corn Laws in 1846 and the commitment of the U.K. to free trade. B.N.A.'s capital position was facilitated by the union of the Canadas in 1841 which began to allow the standardization of such policies as tariffs, and the stability to guarantee loans from the British capital market. The repeal of the Corn Laws, however, undermined the position of many B.N.A. merchants, especially in Montreal, leading them to put forward the Annexation Manifesto of 1840 in response to their loss of preferential treatment within the Empire.⁷ At the same time, indigenous B.N.A. interests were already pressing for tariff protection. While agricultural interests (whose products were, of course, traded by commercial capitalists) attained some satisfaction with a tariff for their products in 1843, it was not until 1858 that nascent manufacturers received a measure of protection. More importantly, "the second British Empire appeared indifferent to the development of manufacturing in the colonies, and industrially Canada had not advanced far by 1846" (McDiarmid, 1946:58). The weak position of manufacturers is again reflected in the fact that the Reciprocity Treaty of 1854 between B.N.A. and the U.S. left out manufactured goods (see Brebner, 1945:161). The treaty provided for free trade in the staples of agricultural and forestry products, fish and minerals, with the main impact on lumber and grain production in Canada.

Well behind their U.S. counterparts, even in this early period, most of the manufacturing output that did exist was very local and employed only a few hands.⁸ The major powers were still with commercial interests and these major interests were turned to the St. Lawrence corridor and railway

⁷In the words of Donald Creighton, "The movement for annexation to the United States was the appropriate conclusion of all the distress, disappointments and resentment of these years. It was the last gesture of revulsion from a system which had been broken in pieces, and a plan which had failed. Up to the very end, the conservative merchants of Canada had accepted the economic limitations of empire" (1956:370).

⁸Spelt reports that, "The Canadian Economist of August 8, 1846, gave a review of manufacturing in Upper and Lower Canada. It stated that Canada had not yet produced any manufactured goods, except potash, which were of such a quality that they could compete in foreign markets. In general, manufacturing, in the modern meaning of the word, was almost non-existent" (1972:74).

expansion to the West to develop a more sophisticated though traditional staple economy.⁹

The weakness of the manufacturing community in B.N.A., as well as being reflected in the policies of the state, is best understood in light of B.N.A.'s banking structure, in contrast to the one developed in the U.S. As Tom Naylor has shown,

The country banks, and to some extent the American state and local banks, were excellent vehicles for industrialization as long as fixed capital requirements were low. But as the capital intensity of industry grew [investment banks, like the J.P. Morgan Co. in the U.S.] involved a close link between industry and finance like the country banks, though of course the scale was vastly different.

The financial structures that evolved in the Province of Canada lacked any tradition of either investment banking or institutions analogous to country banks. As a colony...Canada was a staple-extracting hinterland servicing British markets, and its banking system took a form appropriate to facilitating the movement of staples from Canada to external markets rather than promoting secondary processing industries (1975, I:67).

It was during this formative stage of industrialization that financial institutions and the state failed B.N.A. manufacturers. Staple flows such as lumber and later agricultural products remained the mainstay of the dominant commercial class in Canada and as long as this structure persisted, little capital would flow into manufacturing from Canadian sources.

Resolving a Contradiction: The Civil War

In the U.S., tensions were building between the staple producing South and the commercial-industrial North. The bloody resolution of this conflict would project the Northern interests to the fore and resolve the contradiction of two alternative modes of production operating under one state.

The importance of this has led Barrington Moore, Jr. to go so far as to title one of his chapters, "The American Civil War: The Last Capitalist Revolution." He attributes much of the importance of the war to its effect of throwing off the last vestiges of colonial structures. Because the South

⁹G. Tulchinsky's study of "The Montreal Business Community, 1837-1853", illustrates the dominant place of commercial capitalists within Canada's ruling class of the period, focusing on activities like shipbuilding, import/export trade, merchants and railways (1972).

was still a staple economy, it was still tied to foreign markets and supported a social structure uncondusive to industrialization. The continuing tie to Britain is reflected in the fact that "by 1849, sixty-four percent of the cotton crop went abroad, mainly to England. From 1840 to the time of the Civil War, Great Britain drew from the Southern states four-fifths of all her cotton imports" (1966:116). Moreover, like the earlier capitalist revolution in England and Europe, where the capitalist class overthrew the aristocratic order, so Moore sees the Civil War as important in the U.S. to assert the power of town over country, free wage labour over slavery and free markets over inherited privilege. In practical immediate terms, "What Northern capitalists also wanted was a moderate amount of government assistance in the process of accumulating capital and operating a market economy: more specifically, some tariff protection, aid in setting up a transportation network...sound money, and a central banking system" (125-126). Thus the fight was over state power and an open national market system unencumbered by regional divisions. This is not to say moral sentiments against slavery were not a factor, only that these sentiments also had their roots in the political economy of the day.

Like all wars, the Civil War had the additional effect of stimulating economic activity (in B.N.A. and the Northern U.S.) and with this 'shot in the arm', U.S. cottage manufactories were to move into the following period ripe to form a more potent national industrial system that the world (especially Canadians) would soon see first hand.

IV. The Railway Era (1860s to 1900)

Making a National Economy in the U.S.

Internal rivals defeated, unencumbered by the baggage of an aristocracy or colonial bonds, disregarding any native people, in the way, the rejuvenated Northern U.S. industrial capitalists set out westward to forge a new frontier and create a national market for its products. Their eyes were fixed inland to the market to be carved out and resources to be tapped. For three decades after the Civil War, the West was the frontier and immigrants were actively recruited to fill the territories. Tariffs were raised to protect nascent industrialists but their main boost was to come from the building of the railways. The main spin-offs were the cap-

ital and product markets the railways forged. The shift from a predominantly commercial and agrarian society to one based on industry and finance was remarkably swift.

Between 1860 and 1900, 163,000 miles of track were added to the 30,000 that had existed in 1860 and with this construction boom came the first important indigenous demand for primary metal products and, of course, a locomotive industry. These outlets could now support a modern factory system and the corporations controlling the railways themselves were the most important capital outlets of the period. Their stocks provided an important source of gain for speculators. According to Hacker's estimates, railway construction itself (not counting the suppliers) accounted for a fifth of the entire capital formation of the country in the 1870s, declining to 15 per cent in the 1880s and 7.5 per cent by the 1890s (1970: 185).

Financial institutions flourished under these conditions by tapping indigenous sources of capital and by acting as intermediaries for foreign, particularly British, banking houses. After the Civil War, the banking system had become rationalized with the formation of the National Banking System, providing for the first time some uniformity and security to the collage of banks spread throughout the country. But, in spite of the multitude of banks, only a handful of investment banking houses were large enough to underwrite "the financial needs of American big business. As might be expected, in a situation where there were many companies seeking money and only a few powerful wholesalers of securities, the investment houses set the rules of the trade" (Cochran, 1957:79-80). The leading investment banking houses were J.P. Morgan; Kuhn, Loeb; Kidder, Peabody; First National Bank; and National City Bank. There was a tightly-knit financial community; the leading investment and commercial banks, as well as the four top life insurance companies, all had their headquarters in New York. In addition to these national institutions that formed the capital pools for large corporate ventures, there were also a large number of state banks, rising from 247 in 1868 to 9,322 by 1900 and these were important for local business interests. As Douglas points out, even by "1912 there were only thirteen banks in the country whose capital and surplus were large enough to lend \$1 million to a single customer" (1971:295-296).

Thus, there was both concentration and diversification within the banking structure; it was a structure that helped support both big and small companies, unlike the B.N.A. charter banks that were biased toward the former.

The giant bankers with their great capital pools were frequently responsible for the initial movement from industrial to finance capitalism or, as it is also called, corporate capitalism. In this, J. Pierpont Morgan was the master craftsman, creating in his time such durable companies as General Electric, United States Steel and International Harvester. Concentrated financial institutions produced concentrated industrial corporations in their own image by consolidating related firms into giant complexes. Even at this early period (around the 1880s) a tradition that has endured up to today was practised:

Since bankers usually acquired vital interests in the companies they financed, it became a common practice to put bank presidents and directors on the boards of trustees in charge of railway and manufacturing companies. By way of reciprocity, heads of industrial corporations were also installed among the directors of banks (Beard, 1968:293-294).

At the top the distinction between leading corporations in finance and industry became blurred very early. This business was not as risk-ridden as it may have appeared on the surface, and certainly not as risky as for the entrepreneurs who established the initial firms. The strategy to minimize risk was simple. Take all the small competitive firms and amalgamate them into one giant corporation and price any that failed to cooperate out of the market.

Railways were among the first to feel the rationalization of corporate consolidation: the New York Central, the Baltimore and Ohio and the Union Pacific were all the products of consolidation. But they were not alone. Also products of the first merger movement initiated by both financiers and industrialists were: American Can, American Telephone and Telegraph, American Tobacco, E.I. du Pont, Eastman Kodak, National Lead, Pittsburgh Plate Glass, Standard Oil of New Jersey, United Shoe Machinery, and United States Rubber. Thus, in a few short years, the centre of corporate capitalism in the U.S. was pieced together. In total, there were 2,722 manufacturing and mining consolidations between 1897 and 1902 alone.

But where had all of these companies come from? What were their origins? Immediately after the Civil War, the "average tariff rate on durable commodities increased to 47 per cent in 1864 from about 20 per cent in the pre-Civil War period" (North, 1961:199), but alone tariffs cannot explain the rapid expansion; they can only explain why the expansion occurred in U.S. manufacturing rather than in imported products. Much of the reason for expansion was the railway, both because they were themselves an important consumer of industrial products and because they allowed companies to tap into a national market that was rapidly expanding with immigration. The emergence of a steel industry, especially between 1870 and 1875 is an important case in point (see Nevins, 1966:807-808). In 1870, only 30,500 tons of Bessemer steel rails were produced but by 1880 there were 850,000 tons produced and nearly two million by 1890 (Tarbell, 1966:923). And, in addition to the rails themselves, steel bridges were coming into use, as was structural steel in buildings and plate in shipbuilding.

These new conditions caused the number of manufacturing establishments to expand rapidly from 140,000 in 1859 to 250,000 only ten years later¹⁰, with the most rapid growth occurring in the East North Central region. No sooner had expansion occurred than the forces of consolidation began to take over. The electrical industry was among the fastest to concentrate. Its concentration reflects two ways this was occurring: one way was at the initiative of financial capitalists and the other was initiated by industrialists themselves. On the one hand, there was Thomas Edison, an inventor and industrialist, who was pressed for capital which was provided by J.P. Morgan and other financiers to form Edison Electric Light in 1878. With the arrival of competing firms these were formed into General Electric in 1892. In this case, financial capitalists took control. On the other hand, other consolidations arose mainly out of industrial interests themselves, like George Westinghouse's Westinghouse Electric in 1886. Writing in 1905, Lawson stressed how Westinghouse "owed nothing to extraneous in-

¹⁰

In contrast to the 250,000 manufacturing establishments in the U.S., there were only 39,000 in Canada in 1870, reflecting both Canada's smaller size and lower level of industrialization.

fluences" and goes on to tell how he assisted George Westinghouse in repelling the attack by General Electric and its backer, J.P. Morgan, thus allowing the company to expand and remain autonomous from the dominant financial interests in control of its rival (1968:102ff). Soon the two electrical companies entered into "working agreements as to the joint use of patents and divided between them the major portion of the manufacturing business" (Beard, 1968:292-293). Similar developments occurred in the meat packing industry between 1865 and 1873 with Armour, Morris and Swift coming to the fore (Nevins, 1966:808-810). Corporate lawyers like W.H. Moore were also instrumental in reorganizations like the Diamond Match Company and the National Biscuit Company in 1890.

As an industry-by-industry consolidation was forming, there were also the common interests of this new class to be managed and, in 1895, the National Association of Manufacturers was formed. In the words of its president Edgerton, NAM "would speak with one voice on every occasion of common defense and on all occasions pertaining to [manufacturing] general welfare" (quoted in Brady, 1943:192).

To protect themselves against the ravages of competition, many industrial combines began to form trusts. Led by the Rockefeller's with the Standard Oil Company of Ohio, oil refining soon became a classic example. In the space of ten years after its formation in 1870, it controlled over 90 per cent of the refining and, in 1882, through the use of a holding company, a trust was formed using the Standard Oil Company of New Jersey. A major condition stimulating consolidation was the depression of the 1890s. In The Truth About the Trusts, John Moody lists 318 combinations and 303 of these were formed between 1888 and 1903 (1904:453ff).

While the railways allowed manufacturers to expand their markets, they also facilitated combination and vertical integration. Before the Civil War, there was basically a series of cottage industries servicing local markets; but by 1880 "80 per cent of the three million workers in mechanized industry labored in factories" (Chandler, 1969:43).

Changes in the size and control of industry also resulted in changes in patterns of administration. Corporate capitalism turned from the entrepreneur to the executive and began to implement the use of stock issues as a source of capital. Before 1880 these were largely characteristic

only of the railways, but soon all large companies began to take on the corporate form of organization. This was encouraged by the "Supreme Court decision of 1886 which declared that the Fourteenth Amendment protected the corporation" (Mills, 1956:271). The most important survey of these transformations is Alfred D. Chandler's Strategy and Structure where he documents that, "By the end of the century...many American industries had become dominated by a few great enterprises that, besides manufacturing goods, sold them directly to retailers or even to the ultimate consumer, and purchased or even produced their own essential materials and other supplies" (1962:24-25). In other words, they had become integrated operations. In terms of control, the corporate form of organization created a definite hierarchy of power. "Within the ranks of management there developed a clear-cut separation between the top executives--the financiers who directed the competitive strategy and who made other strictly entrepreneurial decisions--and the supervisors who oversaw operating divisions, traffic departments, and the like" (Chandler and Salsbury, 1968:254).

What was the role of the state in this formative period of U.S. capitalism? As in B.N.A., the state had been active in creating the transportation infrastructure. By 1861, \$188 million was invested in canals in the U.S., \$137 million coming from state and municipal governments and similar assistance was provided for railways. But unlike B.N.A., where the state was forced to nationalize many of the canals and railways to 'bail out' capitalists and rationalize these crucial transportation services, "with the sale of the great majority of publicly constructed canals and railroads to corporations the precedent became firmly established that henceforth the ownership and operation of these transportation facilities would be the province of private enterprise" (Douglas, 1971:239, 248).

In reaction to the pressure of the Progressives and the concentrated power of the trusts, regulation was forced; moreover, as Kolko has pointed out, "business has no vested interest in pure, irrational market conditions, and grew to hate the dangerous consequences inherent in such situations" (1963:59). And, as he goes on to document, "The first federal regulatory effort, the Interstate Commerce Commission, had been cooperative and fruitful; indeed, the railroads themselves had been the leading advocates of extended federal regulation after 1887." Trust busting and the Sherman

Act of 1890 were to have some effect in the following period but as Moody shows, "court decisions were handed down which seemed to limit the scope of the Sherman Act...Several of the earlier trusts besides Standard Oil had survived the panic and had been reorganized to conform to the law, notably, the American Sugar Refining Company and the American Tobacco Company" (1966:929). Business was too important and powerful to be confined by the state; in fact, it was the chosen instrument of development and nation building. Moreover, market expansion itself helped mediate concentration. At times business had to be subsidized and at others to be protected from its own ravages, but it was too productive a force to be hemmed in.

The post-Civil War boom created great pools of capital, held not only in corporations but also by individuals and families. The captains of finance and industry amassed great fortunes. According to Berky and Shenton, "before the war the number of millionaires ranged in the low hundreds, by 1892 the number was somewhere between 3,045 and 4,047" (1966:845). In aggregate terms, 12 per cent of the population had 88 per cent of the national income and, according to Simon Kuznets, income inequality increased between 1870 and 1900 (1952:522-523). The enormous expansion in national wealth was not equally shared by all; the most powerful benefited the most, both absolutely and relatively.

Among the capitalist class it was the railway owners and financiers that gained the most in terms of wealth while the small manufacturers were also slowly beginning to amass wealth. The growth of large bureaucratic organizations was producing a new middle class but they were also creating, for the first time, a national upper class. E. Digby Baltzell's work provides a comprehensive analysis of the 'making of a national upper class.' As he demonstrates, "a national, inter-city, metropolitan upper class was becoming a reality in America: for the first time, in the last part of the nineteenth and early twentieth centuries, the New England boarding schools and the fashionable eastern universities provided the sons of the new and old rich from many cities with a common experience and set of subcultural standards" (1958:16). Using a series of indicators, like the founding of key private schools and clubs and the issuing of Social Registers, he was able to conclude that, "A centralized elite and upper class quite naturally

follows from a centralized economy" (21).¹¹ It is interesting to note that the key U.S. private boys' schools like Taft, Hotchkiss, Groton and Choate date from between 1884 and 1896 while their Canadian counterparts were established much earlier; for instance, Upper Canada College was founded in 1829. The Toronto Club (Canada's most prestigious) was formed in 1835, just in time for U.C.C.'s first graduates. This reflects two important differences between Canada and the U.S. First, Canada's economy was much more concentrated than that of the U.S., in spite of its being much smaller. Secondly, Canada's upper class was of a different kind than in the U.S., being based in commerce and tied to British tradition.

Canada (Finally) Becomes a Nation

Canada's gradual move to Confederation in 1867 was for precisely the opposite reason to the American Revolution almost a century earlier. Buckley has summarized the forces at work:

Whereas the New England colonies had revolted against the restrictions of a mercantile empire, the Canadian colonies threatened to revolt when the restrictions were removed. Confederation in 1867 was part of the reaction to free trade. It reflected an evolution of political institutions within the British North American colonies as means to support economic development in the interests of commercial capitalism on the St. Lawrence (1955:80).

While U.S. capitalists were directing their energies inward to establish a national market and an industrial system, leading Canadian capitalists were still acting as mediators between the country's resources and outside economies. Canada's two nodal points, Montreal and Toronto, continued to be the seats of commercial power as they pressed hard for railways to the West to protect their resource hinterland; it was, in Aitken's term, a policy of "defensive expansionism" to protect the West from U.S. encroachment by building railways and stimulating immigration.

¹¹ Baltzell's argument is consistent with Kolko's thesis that "economic development in the United States after the Civil War took place largely in the hands of existing and long established social and economic elites--not merely in the hands of the broader occupational class of 'businessmen'" (1967:345-346).

As with the earlier canals, the building of railways in Canada was a step behind that of the U.S. For a variety of reasons, railways in Canada were both costly and without the same immediate 'spin-offs' as in the U.S., with the notable exception of the steel industry which was taken over by the same clique that controlled railway construction (see Clement, 1975:60-71, 76-86).

As has been argued, Canada's financial institutions evolved so as to complement a staple economy based on the mediation of resources rather than an industrial structure. Tom Naylor's detailed analysis has forcefully shown that,

A financial structure geared to aiding and abetting the long distance movement of raw materials grew up to complement the commercial system. And the great works of commercial infrastructure, notably the railways, which absorbed an enormous share of public capital account expenditures, evolved in such a way as to open the agricultural, lumber, and mining frontiers to produce raw materials for export (1975:6).

Not only were they acting as mediators between Canadian staples and the British market, but much of their trade before the turn of the century was of a go-between nature, sending to the U.K. products originating in the U.S.¹² Later grain export from Canada's West would account for the greatest share of the commodity trade but what is important to note is the persistence of agricultural staples. Brebner summarizes the comparative position well when he says, "The pattern of the future for the whole continent was indicated, when, some time about 1890, manufacturing became a more valuable economic activity than agriculture in the United States. The same thing happened in Canada about 1920" (1945:238).¹³

This was not because Canadian capitalists lacked access to large capital pools; quite the contrary, as the railways demonstrated, large amounts of capital were available. It was rather the way this capital was put to

¹² As Naylor points out, "In 1878, some \$10 million of Canada's total of \$46 million of exports to the U.K. were re-exports. Of this entrepot trade, 95% was in agricultural products, accounting for nearly half of the Dominion's total agricultural exports to Britain" (1975, II:238).

¹³ Firestone says that only 19 per cent of the gross national product and 13 per cent of the employment in 1870 was in manufacturing while agriculture accounted for 34 and 50 per cent, respectively (1958:204).

use that made the difference. It was not simply the amount of capital available, it was also that the source of the capital determined the use to which it was to be put. Neither British financial houses nor Canadian banks favoured risky manufacturing when secure outlets were available.

Besides staples and rails, another important 'acceptable' capital outlet was utilities. Like the railways, investments in electric and gas utilities were often guaranteed by the state and if that was not enough, the monopoly position of utilities provided a secure investment. Thus Canada's commercial capitalists expanded into the field of utilities. Nelles provides a valuable analysis of the workings of this system with the example of the Electrical Development Company. A detailed analysis of the securities and interlocking directorships of this company shows a line running directly to the bankers, insurance directors, railway men and leading political figures (all difficult to distinguish from one another) in both Toronto and Montreal (1974:233-234). Canada's dominant capitalists were willing to diversify their activities, but only under certain conditions.

Was the problem simply that Canadian politicians lacked foresight, that they were oblivious to the interests of manufacturers or did not wish to promote an industrial society? Did Canadian financial capitalists simply have a blind spot for the profits that could be turned in manufacturing? The answer cannot be that simple. It must be sought in the political economy of Canadian capitalism.

No one could help but observe what was happening in Canada, least of all Sir John A. Macdonald, who masterminded the famous National Policy of 1879. The Debates of the House of Commons records Macdonald's arguments in favour of this policy that was to cure every woe Canada ever experienced:

the welfare of Canada requires the adoption of a National Policy, which, by a judicious readjustment of the Tariff, will benefit and foster the agricultural, the mining, the manufacturing and other interests of the Dominion; that such a policy will retain in Canada thousands of our fellow countrymen now obliged to expatriate themselves in search of employment denied them at home, will restore prosperity to our struggling industries, will prevent Canada from being made a sacrifice market, will encourage and develop an active interprovincial trade, and moving (as it ought to) in the direction of a reciprocity of Tariffs with our neighbours (Ottawa, 1878:854).

No doubt Macdonald believed the policy of railway building, tariffs and immigration would best serve Canada's interests, at least those dominant interests that ruled the state. But there was little reason to believe tariffs alone were the answer to building an indigenous manufacturing class. Indeed, there is evidence that tariffs had little or only an intermittent effect on how this class would eventually develop. McDiarmid found that among "industries awarded special tariff protection...domestic producers were supplying more than 90 per cent of the goods consumed in their respective fields...On the other hand, sugar refining had received generous protection during the late fifties and early sixties, yet less than 60 per cent of the sugar consumed came from Canadian refineries." He goes on to explain that not tariffs but capital sources explain the situation: "Canadian manufactures were indeed placed at some disadvantage because of credit conditions. While investment capital was scarce in Canada and credits expensive for Canadian manufacturers, long-term British credits were available to Canadian dealers in British goods" (1946:147-148). While the National Policy did stimulate manufacturing, it did nothing to sustain it. Again this was because Canada's financial structure was geared to two functions--an intermediary role with external economies and secure long term guaranteed investment. Where was the incentive to invest in the risk-ridden manufactures of Central Canada or the Maritimes when these other avenues were open? It was not until two conditions were met that Canada's dominant capitalists would enter the field of manufacturing. The first was profitability and the second security. When this is understood, little mystery remains in their behaviour.

Naylor has stressed two avenues to industrialization. One way is that "industry can grow up 'naturally' by a process of capital accumulating 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." With this method, internal capital is generated and the producer remains in control. "A second path implies direct development into large-scale enterprise...and with capital from outside the enterprise" (1975, I:38). The second method promotes outside control. As Naylor argues, both processes were under way in Canada before the turn of the century, but few of the first type were able to make it successfully past the initial

stages. Two factors insured that the second type of development would come to dominate in Canada. These were the financiers who would consolidate smaller manufactories into corporate complexes through promotion, takeover and merger, and the foreign controlled branch plants of U.S. industry which would either establish new operations in Canada or take over existing ones.

For example, T.W. Acheson has shown how small manufactories developed in the Maritime Provinces and were even stimulated by the National Policy yet at the turn of the century fell under the control of financiers from central Canada (1972b; see Clement, 1975:66-71). In central Canada itself, manufacturing in the steel industry, cotton and sugar refineries were subject to the same forces.¹⁴

Consolidation was occurring rapidly in Canada with 100 plants eliminated in the final decade of the century. In Ontario there was a reduction from 130 to 66 and in Quebec from 69 to 41 between 1891 and 1901 (McDiarmid, 1946:248-249). However, it is important to turn attention to the other force that was only beginning to build in Canada, early U.S. investments.

Accounts of U.S. investments in Canada prior to the turn of the century vary but the general consensus is that they were neither large in number nor vital to the U.S. operations. There were only isolated instances of U.S. plants in Canada from 1860 to 1879. After that time a slow but steady build-up of branches occurred (Marshall, et. al., 1936:11; Wilkins, 1970:461).

The case of Canadian General Electric combines several facets of the processes occurring. In 1892, it was organized in Canada by Senator Frederick Nicholls by merging three Canadian subsidiaries of U.S. electrical companies and one Canadian company. By 1895, Senator Nicholls owned most of the shares of the company which operated through manufacturing agreements with General Electric of the U.S. By 1905, the U.S. company was "entirely Canadian" with "exclusive rights in Canada." This relationship continued for some years, until 1923 and Senator Nicholls' death, when "the American

¹⁴ A thorough account of the "decentralized and insecurely rooted" manufacturing enterprises in Canada can be found in McDiarmid (1946:88-89, 147-199). Generally, he shows how they were low-capital firms with few employees and oriented to the local market, with the possible exception of the agricultural machinery industry led by Massey-Harris that was prospering with the expanding market.

company purchased the majority of the common stock of Canadian General Electric" (Marshall, et. al., 1936:72-73; Wilkins, 1970:58, 93). Contained here are three features common in manufacturing industries at the turn of the century: the consolidation by financier Nicholls, technological dependence on a U.S. company and eventual takeover by the U.S. parent to integrate the branch into its worldwide operations.

Between 1890 and 1914, some 36 U.S. manufacturing companies studied by Wilkins established foreign manufacturing operations. Of these, 34 had either themselves or through a predecessor company established plants in Canada (1970:212-213, Table X.3). As Wilkins explains this process, the depression from 1893 to 1897 restricted demand in the U.S. and many companies with surplus products sought external markets to dump these excesses. Soon exports became significant and to sustain this business, sales branches were established leading to further investments and eventual branch plants. In addition, the consolidation movement in the U.S. created giant firms that began to move out of the U.S. in search of expanded markets and raw materials (1970:72ff). In Cleona Lewis' terms, "Until the closing decade of the nineteenth century, the outward flow of capital thus set in motion was of negligible proportions. With the passing of the American frontier, however, the pressure for markets encouraged an expansion of America's foreign investments" (1938:173). These patterns are reflected in the foreign investment patterns in Canada. In 1876 there was only \$15 million in U.S. direct investment here but by 1900, it had risen to \$175 million direct and \$30 million in portfolio loans. The basic difference between this and U.K. investment in Canada is reflected in the fact that in 1900 there was only \$65 million direct U.K. investment here but \$1,000 million portfolio (Levitt, 1970:66, Table 3).

The specific pattern in the resource industry was only slightly different. Petroleum was found in 1857 in southwestern Ontario (two years before the Drake well in Pennsylvania) and in 1880 Imperial Oil was formed. At its inception it was Canadian controlled, but by 1898 John D. Rockefeller's Standard Oil held the majority interest. "American enterprise occupied an important though hardly a dominating position in the Canadian industry from 1850 to 1890" (Marshall, et. al., 1936:6). But, according

to Nelles, "In 1891 the Royal Commission on the Mineral Resources of Ontario proudly reported that Americans owned one-half of the mines in the province" (1974:149).

During this early period there was also considerable involvement by Canadians in the U.S. James Hill¹⁵, the U.S. railway promoter who was born in Guelph, Ontario in 1838, and migrated to St. Paul, Minnesota in 1856, struck several deals with leading Canadian financiers like George Stephen of the Bank of Montreal and Donald Alexander Smith of the Hudson's Bay Company (see Myers, 1936:674-678). According to Destler, "the Bank of Montreal furnished the indispensable banking support in his early years" to Hill (1946:40). According to Marshall and his colleagues,

Canadian banks found it necessary almost from the beginning to maintain agents or branches in New York. Particular banks, depending on their field of service and type of customers, had branches in other American cities; for example, the Bank of Nova Scotia in Minneapolis (1855 to 1892), in Chicago (from 1892 on), and in Boston (since 1899)...they played an important part in the New York market, especially in the early days (1936:16-17).

Generally, it may be argued there was tremendous expansion before the turn of the century; there was a dynamic element that did not prevail in Canada¹⁶--it lacked colonial ties, a state-directed opening of the West and a dominant financial ruling class with dependent external ties. But this expansion, while providing the conditions for developing a free-wheeling industrial system, also meant the 'Robber Barons' of laissez faire capitalism could fight out their ruthless battles in search of profit at the expense of the people. The costs of generating the most powerful industrial system in the world were high. But so were those of Canada's financially dominated path, as will soon be seen. After the turn of the century, corporate capitalism was to prevail in both countries.

¹⁵ James Hill is reported to have said, "Canada is merely a portion of our western country, cut off from us by accident" (quoted in Scheinberg, 1973:220).

¹⁶ In direct contrast to the U.S. of this period, Aitken has argued that, in spite of the Canadian Pacific Railway construction, this was "a phase of slow growth" in Canada (1961:30). There was not the same industrial 'take-off' the U.S. had experienced. Also, see G.W. Bertram, "Economic Growth in Canadian Industry, 1870-1915: The Staple Model and the Take-Off Hypothesis" (1963).

V. Consolidation of Corporate Capitalism (1900 to 1913)

The U.S. Fills Its National Market

As the U.S. entered the twentieth century, industrial expansion occurred apace. There was a tremendous merger movement at this time but the economy was growing and new areas were opening so rapidly that, in spite of consolidation, competition remained. As Kolko has pointed out, between 1899 and 1909, the number of manufacturing companies grew by 29 per cent and "new mergers... were unable to stem the tide of competitive growth" (1963:26-27). The apparent paradox of both increased consolidation and competition can only be explained in terms of new openings for investment. Generally this meant swift technological innovation and the creation of new industries was occurring more rapidly in the manufacturing sector than was consolidation. Only under rapid economic expansion could the two processes coexist.

According to Berky and Shenton, the 1900 "Census reported seventy-three industrial combinations capitalized at more than \$10,000,000, most of them dominating more than one-half of production in their fields" (1966: 1026). Moreover, between 1895 and 1904, 3,012 firms were absorbed.¹⁷ However, the arrival of new industries like those in metal, machinery, rubber, petroleum and chemicals must also be stressed. The automobile industry is an important case with 126 firms appearing between 1906 and 1920, although only 84 remained operating by 1920 (by 1926 it had dropped to 44 and by the early 1960s, three accounted for 90 per cent of the production) (Hacker, 1970:252).

While expansion characterized the manufacturing industries, in land transportation the market was closing and consolidation did breed concentration. According to Chandler, "By 1900 most of American land transportation was handled by about twenty-five great systems informally allied in six groupings" (1969:46). In finance, much the same process occurred as

¹⁷ The authoritative study of mergers between 1895 and 1920 was done by Nelson, who argued, "The eight leading merger industries were primary metals, food products, petroleum products, chemicals, transportation equipment, fabricated metal products, machinery, and bituminous coal. Together, they accounted for 77 per cent of merger capitalizations and 68 per cent of net firm disappearances by merger" (1959:52-53).

in manufacturing, as the Pujo Committee of the House of Representatives found in 1913 (see Cochran, 1957:83-84). Some 600 to 800 mergers of banks had occurred between 1900 and 1909, but the actual number of banks continued to peak until 1920 (Douglas, 1971:297-298).

The rise of corporate capitalism was well under way; the corporate form of organization by 1900 accounted for two thirds of the manufacturing output where only a few years earlier, small manufactories had been most prominent. The rise of corporate capitalism also meant giving new order and stability to the system. As Williams has argued, "The political economy had to be extensively planned, controlled, and co-ordinated through the institution of the large corporation if it was to function in any regular, routine, and profitable fashion" (1966:350-351). The basic elements of this new order, as summarized by Dusky Lee Smith, are "private ownership of the means of production, increased participation of the state in the political economy, centralization of the major institutions, imperialism, efficiency, and functionalism." Part of the justification for this transition was provided by intellectuals. As Smith's analysis of the period concludes, "In varying degrees, the founding fathers of American sociology were ideological protagonists for corporate capitalism" (1970:68).

As was suggested for the previous period, two forces were again at work in creating the new corporate order. One, particularly during the intense merger movement from 1899 to 1904, was the role of promoters and financial capitalists in combining various manufacturing firms into corporate complexes; the other was the growth of corporations out of the retained earnings of manufacturing companies themselves.¹⁸ Kolko says that from 1900 to 1910, "70.4 per cent of the new funds in manufacturing came from internal sources, and this led to a general independence from outside financial power" (1963:145). According to Chandler's survey of the period, manufacturing companies were beginning to diversify and integrate several of the economic functions related to their production; "by the early twentieth century nearly all the companies making semi-finished product goods

¹⁸ Chandler notes that, "Consolidation and departmentalization meant that the leading industrial corporations became operating rather than holding companies...of the 50 companies with the largest assets in 1909, only United States Steel, Amalgamated Copper, and one or two other copper companies remained purely holding companies" (1965:88).

controlled the mining of their own raw materials" (1965:79). Whether by financial or industrial initiative, leading corporations were increasingly taking on the form of organization they currently have and the corporations themselves were important engines for the production of surplus capital that could be reinvested. The corporate form of organization and associated stability also facilitated their becoming important outlets for the capital of financial capitalists.

Under pressure from several quarters, the Federal Reserve Act was established in 1913. The major pressure for the act came from the Progressives but according to Kolko, the Federal Reserve System's "major function, inspiration, and direction of the measure was to serve the banking community in general, and large bankers specifically" (1963:222).¹⁹

Corporate capitalism in the U.S. meant more than an organizational change and more than the merging of industrial and financial interests; it also meant the meshing of economic and political policy. Gabriel Kolko's The Triumph of Conservatism on the 'progressive era' in the U.S. illustrates the role big business had in the formulation of government policy and how this resulted in the stabilization of business in the U.S. at the turn of the century through state 'regulation.' He pursues the argument that,

Progressivism was initially a movement for the political rationalization of business and industrial conditions, a movement that operated on the assumption that the general welfare of the community could be best served by satisfying the concrete needs of business. But the regulation itself was invariably controlled by leaders of the regulated industry, and directed toward ends they deemed acceptable or desirable (1963:2-3).

In response to the irrationality of the market place, it was important to create political, social and economic conditions conducive to the long term profitability of corporations. Regulation could create these conditions.

¹⁹ The Federal Reserve System's overseeing body was the Federal Reserve Board, with five Presidential appointments, the Comptroller of the Currency and the Secretary of the Treasury. This body oversaw twelve Federal Reserve Banks in different districts, each with 9 members, 6 of whom represented stockholding banks (three bankers and three others) and 3 others appointed by the board (Cochran, 1957:87-88).

But as Kolko argues, this was particularly true when corporations became national in their scope; federal regulation helped national corporations cope with state boundaries (5-6). He argues strongly against the position that increased state regulation is necessarily 'progressive'; in fact, he maintains, "If the criterion is not the presence or absence of government intervention but the degree to which motives and actions were designed to maintain or preserve a particular distribution or locus of power, the history of the United States from Theodore Roosevelt through Woodrow Wilson is consistently conservative" (58-59). Thus following the turn of the century, a system of state and corporate cooperation was firmly in place in response to transformations that had been occurring within the economy. The economy was national in scope, characterized by a corporate form of organization and there was a meshing of industrial and financial interests into corporate complexes.

The emergence of corporate capitalism also meant the routinization of the exercise of corporate power. Central figures and families still remained in command but they began to surround themselves with technical, administrative and legal experts to carry out many of the operations of the companies where they held controlling interests. Men like John Pierpont Morgan, like his father before him, created and controlled far-reaching financial and industrial empires (see Myers, 1936:594ff; Berky and Shenton, 1966:1057ff). While he may have been the most powerful individual, there were others of importance like Frederick Weyerhaeuser, Andrew Carnegie, the Guggenheims, Mellons, Rockefellers, du Ponts, Goulds and others.

The rise of corporate capitalism also had its effects in the international capital market. Lewis has argued that in the era of entrepreneurial capitalism, foreign investment in the U.S. manufacturing was discouraged but the "advent of the industrial corporation marked the beginning of large-scale industry and eventually was instrumental in drawing foreign capital into outstanding American undertakings" (1938:69). Foreign portfolio capital had earlier been prominent in railways and utilities, the first sectors to adopt the corporate form of organization. But with the adoption of the corporate form by industrials, they too became attractive as investments. In the pre-World War I period, several U.S. industrials

had important U.K. portfolio investments, including Eastman Kodak, United Fruit and General Electric, all with over \$1 million; but the most important outlet was United States Steel with \$34.6 million U.K. loans. Nevertheless, industrials accounted for only 13 per cent of the British holdings in the U.S. while railways and utilities had 87 per cent (Lewis, 1938: 73-77). It is important to note that portfolio investment is not controlling ownership; it provides capital pools from which the corporate owners can then draw for their expansion. Thus, at least part of the funds provided for U.S. industrial expansion at this early time came from the U.K. This helped project the U.S. into world leadership in areas like steel, where the U.S. accounted for 40 per cent of the world output in 1913.

The U.S. in this era was also beginning to expand beyond its borders with a few colonial adventures into the Caribbean and Philippines but these were as much military and political as economic. Before the war, most of its attention remained on shoring up its home markets, although a few initial excursions were to provide a toe hold for later multinational expansion. For example, National City Bank (now Citibank) had a branch in London in 1902 and in five Asian countries, adding seven Latin American branches by 1914 (Rose, 1975:108). In industrials, many of the early foreign branches followed export patterns that had been created earlier and were stimulated by the desire to maintain export markets (see Vernon, 1971: 71). Production facilities were also drawn to foreign locations by the prospect of lower labour costs than in the U.S. Further stimulus was provided by capital surpluses that had been built up in industries. Cochran and Miller suggest that by 1913, "savings were mounting faster than new investments in productive enterprises" (1961:298). While Wilkins argues that "well before the First World War, American direct foreign investment was not merely in extractive industries and utilities; indeed, by 1914 a surprising number of 'genuine' U.S.-headquartered multinational manufacturing companies had already come into existence" (1970:ix). The most important location for these foreign firms was to be Canada.

The U.S. Enters Canada

Generally, the situation within Canada was one of rapid growth during the period 1900 to 1913, much like the previous period in the U.S. but

with several important differences. The major railways were complete or nearing completion and substantial parts of an industrial system were beginning to fall into place. According to Aitken, the period "saw the agricultural settlement of the western prairies, the opening up of a mining frontier on the Canadian Shield, the development of the newsprint industry, and the beginnings of large-scale hydroelectric development" (1959:4-5).

Much of the prosperity in Canada during the period was the result of world conditions, especially in the stimulation of wheat export for Europe. The source of capital for agricultural investment did not come from traditional financial sources. According to Aitken, "Prairie farm investment was financed almost entirely from the real savings of settlers and immigrants" (1961:108). Between 1896 and 1913, the population of the West increased by a million, accounting for 7 per cent of Canada's total population in the earlier period but 20 per cent in the later. Filling Canada's West was assisted by the fact that "the best lands of the United States plains had been settled, but excellent free land was still available in Canada" (Safarian, 1959:19).

Wheat was of such consequence in Canada, not because it produced more than the U.S.--it did not--but because it consumed less. With one twelfth the population of the U.S., Canada had a much greater surplus from a somewhat smaller total yield. The increased European demand for food-stuffs and the rising prices also benefited the traditional commercial interests because of the increased use of their mediating services such as transportation and short term financing.

But the resurgence of agriculture and wheat as a new staple was not without its consequences. Canada remained a rural society for much longer than did the U.S. This meant that manufactories remained smaller and more oriented towards local rural markets. Moreover, by the time Canada was beginning to develop a national manufacturing market, U.S. manufacturers were also ready to define their market as a continental one. Thus much of the consolidation that occurred in Canada was from the beginning on a continental rather than a national basis. The transition from commerce and agriculture to an industrial society did not occur as smoothly in Canada as it had in the U.S. because dominant Canadian interests remained oriented toward the international economy rather than toward developing an internal

market. In addition, much of the necessary capital was monopolized by these dominant financial interests.

Under circumstances in which dominant industrial firms in the U.S. were expanding at a rate greater than their market and shifting into Canada, while consolidation was being undertaken by Canadian financial capitalists, the Canadian movement into corporate capitalism differed in shape from that in the U.S. Those Canadian sectors which had been moved into corporate capitalism through indigenous forces, engineered either by Canadian financiers or by independent manufacturing consolidations, were better able to compete in their traditional sectors, such as steel, pulp and paper, and food and beverages. Other sectors with new technology and without an earlier base were most susceptible to U.S. control by companies like Goodyear, U.S. Rubber, or du Pont. These formative stages were of central importance because once the patterns became established, many contemporary Canadian and foreign companies rode the crest of industrial development and grew out of these already established companies.

One of the most important areas where external consolidation was a force for movement into corporate capitalism was the automobile industry.²⁰ The first place U.S. automobile companies expanded their operations was into Canada, but this was not without some compliance by Canadian manufacturers, as Wilkins' account makes clear.

In 1904 Gordon M. McGregor, a Canadian maker of carriages, visited Henry Ford and suggested to him that Ford cars be manufactured in the Dominion. Ford agreed. McGregor raised the capital in Canada and in the United States to finance this venture. Henry Ford and the Detroit stockholders in the Ford Motor Company got controlling interest (51 per cent) in the new Canadian Ford unit in exchange for patents, drawings, and Henry Ford's services. The Dominion

²⁰ Important to these early automobile developments were patent rights. In her analysis of Ford and General Motors, Lewis notes that "patent rights represented the larger part of a company's contribution toward the establishment of foreign subsidiary or affiliate" (1938:300-302). Reliance on imported technology was characteristic of many manufacturing companies in Canada--especially in electrical and chemically based industries. Williams argues: "Canadian manufacturers made heavy use of U.S. patents in their production, so much so that the proportion of Canadian patents issued to Canadians fell from 100 per cent in 1869, to 33 per cent in 1884, to only 16 per cent in 1908" (1975:8; see also Wilkins, 1970:142-144).

enterprise was to handle Ford business in the entire British Empire, excluding England and Ireland; it started at once to manufacture Ford cars in Canada—behind the Dominion tariff wall (1970:97).

This was important because the factors entering into the decision included not only the Canadian market, because of a 35 per cent tariff, but also the export market to all British colonies and ex-colonies, a pattern later to be reinforced by Imperial Preference. (This pattern of moving into Canada for entry to the Commonwealth was also characteristic of firms like Heinz and Quaker Oats.)

Another development in the automobile industry, also involving Canadian carriage makers, was the movement into Canada of General Motors. Robert McLaughlin had been a carriage manufacturer since 1868 and with his sons, R.S. and G.W. McLaughlin, founded the McLaughlin Motor Car Company in 1907 by acquiring the Canadian rights for the Buick car. In 1914, General Motors and the McLaughlin Carriage Company shared ownership in the subsidiary company (with the McLaughlin's holding a slight majority). By 1918, General Motors of Canada owned both companies and it was a wholly owned subsidiary of the U.S. parent. Robert McLaughlin's sons became president and vice-president of General Motors of Canada (see Marshall, et. al., 1936:65).

Different patterns involving external consolidation of Canadian companies were also evident. Some of these cases have been summarized by Naylor:

Sherwin-Williams Paints was a merger of three firms, one Canadian, one British, and one American, which remained under the American parent's control via licensing. Two large licensed joint ventures in mining equipment and machinery, the Canada Rand Drill Co. (1899) and the Ingersoll Rock Drill Co. (1882), were combined in 1912 as the Canadian-Ingersoll-Rand Co. paralleling the parent's merger. In 1906 Bell Canada, one-quarter owned by ATT, bought control of Northern Electric and Manufacturing, in which Western Electric held part interest. Imperial Wire & Cable was also jointly owned and in 1914 the two were merged into Northern Electric of which 44% of the stock was held in the U.S. (1975, II:191).

Unlike instances in the automobile industry, where much of the initiative

for U.S. takeover came from small Canadian manufacturers, these cases illustrate direct U.S. initiatives that served to realign Canadian based companies.

The struggle by Canadian municipalities to encourage the growth of manufacturing added further incentive to U.S. companies through a practice of bonuses. This included free land, tax exemptions and sometimes even free utilities as rewards. For example, 95 municipalities in Ontario engaged in this practice by 1900 (see Lewis, 1938:312-313; also Wilkins, 1970:143; and Naylor, 1975, II:155-156).

However, Wilkins has argued that "legislation--involving patents, tariffs, industry incentives, and 'made-in-Canada' rulings--would not have been enough to 'force' investments by American manufacturing firms in Canada...unless American companies desired to sell in Canada and unless the market was there (or could be created), Americans would not have invested" (1970:143-144). The inducement was clearly there.

But a further point must be added to Wilkins' observation. If there had not been a 'vacuum' in the Canadian market, that is, if Canadian firms had supplied the market, the inducement to U.S. expansion in Canada would also have been lowered. The evidence is that the U.S. firms did in fact meet much of the demand, for, "almost three-fifths of the new plant machinery which was Canadian in origin, was actually manufactured by U.S. branch plants or licensed ventures in Canada" (Williams, 1975:8-9). The question was not one of demand, but which capitalists would be supported to fill the demand.

A further example illustrates another kind of pattern, this time used by the Aluminum Company of America (Alcoa). This company had been involved in Canada since construction of its plant at Shawinigan Falls in 1899, but its rapid growth did not occur until somewhat later under the stimulus of the U.S. Sherman-Antitrust Act. Alcoa's president, A.V. Davis, had "decided to enter into accords with European industrialists," but this would have been disallowed under U.S. law. A new subsidiary was, therefore, formed in Canada to organize the Canadian operation and also the U.S. export business. This was done "with the full knowledge of the U.S. Justice Department" and "the Canadian subsidiary of Alcoa made a new pact with the foreign producers regulating the aluminum trade outside the United States"

(Wilkins, 1970:87-89).

Thus, for reasons different from those that had motivated Ford and the later Imperial Preference branch plants, Alcoa also became part of Canada's early go-between role in the international economy. Another early example of the go-between relationships is Sherwin-Williams, which "allocated [to] its Canadian affiliate control of the English subsidiary, which in turn controlled those in India, South Africa, Shanghai and even France" (Naylor, 1975, II:238). The same arrangement was followed by Jersey Standard for its holdings in Peru, which were transferred to Canadian affiliates in 1913-14, and in 1913 by Western Electric, which transferred its foreign stocks to its Canadian affiliate. Wilkins notes, "Thus, Canadian enterprises of pre-World War I years, as later, often served more than their ostensible purpose" (1970:146).

Meanwhile, other forces guided the consolidation process toward central Canada and created rapid expansion. Between 1900 and 1910, the value of manufacturing output increased from \$215 million to \$564 million, led by the expansion of the iron and steel industry during the railway boom and the ten fold increase in pig iron consumption between 1896 and 1913 (McDiarmid, 1946:242-245). Other important Canadian activities at the time included textiles, sawmilling and food processing but concentration of industry in central Canada accompanied the expansion in the areas of textiles, boot and shoe production, furniture making and tobacco. By 1910, Ontario and Quebec accounted for four fifths of all manufacturing in Canada.

In the U.S., the merger movement was accompanied by an absolute increase in the number of firms. In Canada the pattern differed. Between 1904 and 1911, 41 industrial combines brought together 196 companies and the number of firms actually fell between 1900 and 1910 (McDiarmid, 1946:244). Furthermore, the pattern of mergers changed over the course of the decade. Naylor observes that early mergers "were largely industrial in origin...But after 1907 mergers showed distinctly new characteristics...new mergers involved outside promoters, generally Montreal, but to a lesser degree Toronto and Halifax financiers as well...[and] did not involve any sort of industrial risk capital" (1975, II:186-187). In the later period, mergers were financed by portfolio investment from the U.K. through the mediation of Canadian financiers. The central figures in

this financially controlled merger movement were most prominently Max Aitken (Lord Beaverbrook) followed by Louis Forget and E.R. Wood.²¹

But what types of relationships existed between manufacturing and finance, aside from promotions? According to Naylor's calculations, little support was provided to small manufacturers by the large capital pools, and this is reflected in the causes of business failure.²² But when financial interests moved into corporate capitalism, the situation was reversed. Naylor notes:

The Montreal commercial community, branching out into cotton manufacturing, sugar refining, iron and steel, and the like, secured bank accommodations through their holding directorships on the banks. This accommodation for the old commercial elite reflected again the bias of the pattern of Canadian industrial development in favour of established wealth and away from the new entrepreneurial class which was promoting industrialization throughout southern Ontario...Indirectly, the banks assisted the concentration of industry in some areas by discriminating by size among industrial borrowers. In 1913, small firms paid up to ten per cent for the same accommodation granted large ones for five or six per cent...In mining, the banks would not advance money for development work--this remained the stockholders' responsibility. After the mine actually began shipping ore to the smelter and getting a return on it, the bank might lend on security of the ore (1975, I:109-110).

Thus, fewer Canadian manufacturers and other industrialists were able to secure the degree of autonomy from financial interests achieved by their opposite numbers in the U.S. in the transition to corporate capitalism. The situation was also complicated in Canada by the presence of U.S. industrialists preparing international moves in search of expanded markets and sources for raw materials. Clearly, conditions facing Canadian manu-

²¹ Tracing Max Aitken's career, Naylor concludes that he had been involved in the promotion of "Canada Power, Calgary Power, Western Canada Power, Cape Breton Trust, Union Bank of Halifax, Demerara Electric Co., Camaguey Electric and Traction, Puerto Rico Co., Robb Engineering, Standard Ideal Co., Canada Car & Foundry Co., Canada Cement, and the Steel Company of Canada" (188). This is an impressive list by any standards.

²² During the period 1890 to 1913, "the rate of all business failure due to 'lack of capital,' including manufacturing failures, ranged between 65 and 75% growing steadily, while during the same period the American rate was less than half of this...The American failure rate due to lack of capital fell over the period, while the Canadian rate rose" (Naylor, 1975, I:84-85).

25

OF/DE

facturers who were attempting to forge an industrial system were more adverse than those in the U.S.

A further transition occurred during the period under consideration, a change from the 'old' staples (fur, fish, timber, and wheat) to the 'new' staples (minerals, newsprint, and fuel). The shift occurs in terms of both the markets and the technological requirements needed for extraction and use of those materials. The market shifted from Europe to the U.S. The 'old' staples had required little technology for extraction or use, but the 'new' ones were the raw materials of industry and required a more highly developed capital base (see Aitken, 1961:100-101). It has been said that the "new axis of continental integration, symbolized by the ownership, technique and market orientation of the new staple industries, cut across the east-west lines of national consolidation laid down by the wheat economy" (H.V. Nelles, 1974:307).

Ironically, many of the 'new' staples that fostered this continental integration were uncovered during the construction of railways, intended to be the great device for national integration. Asbestos was found in 1876 near Thetford, Quebec, during railway construction; nickel was discovered by the C.P.R. near Sudbury, Ontario in 1883; silver, gold, and copper were uncovered near Cobalt, Ontario, when the Timiskaming and Northern Ontario Railway was under construction in 1903 (see Brebner, 1945:240).

The most impressive development from these discoveries took place in the nickel industry. From supplying 45 per cent of the world's nickel ore and matte in 1902, Canadian production rose to 70 per cent by 1913-- including all of the U.S. market (Aitken, 1959:15ff). Initially, several firms working in close relationship with one another were involved, but in 1902, they were consolidated into the International Nickel Company with capitalization of \$25 million. "Ultimate control rested in the hands of the financial group behind the United States Steel Corporation, under the leadership of J.P. Morgan" (Aitken, 1959:16). This powerful complex successfully resisted government attempts to force refining of the nickel in Canada, until the threat to expropriate, reinforced by the war, was made (20-21; also Nelles, 1974:106-107, 309, 327-328).

With nickel and the other minerals, as with all the 'new' staples, Canada was continuing its historical pattern of supply resources to the world. And in supplying resources, as in the manufacturing sector, Canada was increasingly being drawn into the continental economy. By 1912, there were "some 200 American 'branch' manufactories" and by 1914, "Canada clearly had more U.S.-controlled manufacturing plants than any other foreign nation" (Wilkins, 1970:141-142).

While Canadian manufacturers were at a clear disadvantage in the capital markets, U.S. multinational branches in Canada could receive capital injections from several sources--from the parent companies' retained earnings, from U.S. financial capitalists through those companies, or from Canadian financial capitalists, who tended to invest in them directly or through the multinational headquarters because of the stable position of these companies. It thus became something of a self-fulfilling prophecy that Canadian industrial capitalists who were not allied with Canadian financial capitalists would be weak and unprotected from the onslaught of U.S. branch plants.

As in the earlier period, some Canadian investment was also being made in the U.S., but the impact of these investments, relative to the U.S. investment in Canada, was insignificant because of the scale of the two countries. As Brebner suggests,

relative to wealth and population, Canada's industrial investment in the United States was larger than its American counterpart in Canada, indeed American branches of Canadian business concerns had a way of becoming larger than their parents; but when set against the American total they were about as completely lost to general view as the corresponding human migrants (1945: 241-242).

Just after the turn of the century, Canadian banks held assets of over \$100 million in foreign countries; this figure rose to \$229 million by 1913. At the same time, their assets were generally double their liabilities in foreign countries (see Viner, 1924:92-93). Canadian railways had a prominent role in northern sections of the U.S. By 1914, the Canadian Grand Trunk, the Canadian Northern, and the Canadian Pacific had a total of \$55.2 million capital of their stock invested in the U.S.; they had 7,197 miles of line in the U.S. by 1912 (see Lewis, 1938:567). There were also instances of

manufacturing companies with branches in the U.S. Moore Corporation, organized by S.J. Moore, had interests in the U.S. from 1893 onward, including the American Sales Book Company with capital stock of \$4 million in 1911. Moore's business-form operations and paper box operations continued to grow until, by 1934, the Moore companies had eleven plants in the U.S. although only four in Canada (see Marshall, et. al., 1936:178-179; Lewis, 1938:566). Another important early entrant to the U.S. market was Massey-Harris Harvester. Registered in the U.S. in 1910, it was soon acquiring and consolidating several U.S. companies (see Marshall, et. al., 1936:181-182; Lewis, 1938:566). Both Moore and Massey remain important Canadian multinationals today.

In general, Canadian society before the First World War still remained different from that of the U.S. This is reflected in occupational terms by the fact that in 1911 only 14 per cent of the labour force in Canada was in manufacturing occupations relative to 21 per cent in the U.S. Even more telling is the strong emergence in the U.S., around the turn of the century, of a new middle class that was adapting to many of the organizational and technical aspects of the new corporate form of organization. This class did not develop as early in Canada. The U.S., the technological leader, was producing large numbers of highly skilled people in professions like engineering. There was pressure for expansion of post-secondary education. In Canada there was a willingness to import both technology and highly qualified personnel, with corresponding down-playing of education. Training continued to be oriented towards the older professions of medicine or law rather than the technical fields. As time went by, the gaps tended to widen rather than narrow.

VI. World War One: U.S. Expansion and Canadian Growth (1913 to 1929)

The First World War is the most dramatic demarcation of a shift in the world economy; it marks the end of British prominence, particularly in manufacturing but also in terms of capital markets. The war itself did not increase manufacturing output in the U.S. as greatly as it did in Canada, particularly since the U.S. entered the war later. But following the war, the U.S. emerged unscathed as the leading force in the international

economy. Also, the effect of gearing the U.S. economy to wartime had brought political and economic leaders into close alliance. One result was to reorganize and consolidate the railways into a few large companies and return them to private ownership.

The experience of the war clearly demonstrated to businessmen that the state need not be a threat to their private interests; indeed, the state could be used to further their interests. During the war, a number of control agencies were established to coordinate the U.S. war effort. The men who ran them were the same ones that ran the private corporations. Brady lists the key agencies and their heads as follows:

Food Administration, presided over by Herbert Hoover, a mining industrialist; Fuel Administration, presided over by Harry A. Garfield, former President of the Cleveland Chamber of Commerce and Director of the Cleveland Trust Co.; War Industries Board, directed by Bernard Baruch, a Wall Street financier and stock-market operator; War Trade Board, directed by Vance McCormick, of the family associated with the International Harvester Co.

And he goes on to conclude, "businessmen predominated, made the decisions, gave the orders, set the prices, determined legitimate costs, and set allowable profit margins" (1943:194n).

More important than the internal experience and alliances that had been forged was the unity of interest created concerning external relations (see Kolko, 1963:286ff; Williams, 1969:85ff). President Wilson is reported to have said, "There is nothing in which I am more interested than the fullest development of the trade of this country and its righteous conquest of foreign markets." To this end, business and government created a series of associations and forums directed at promoting U.S. direct investments abroad. Kaufman summarizes some of these developments:

Secretary of Commerce William C. Redfield and Commissioner Edward Hurley of the Federal Trade Commission worked closely with such groups as the AMEA and the Pan American Society in organizing a major new national business association, the National Foreign Trade Council (NFTC). Headed by James Farrell, President of United States Steel Corporation, the NFTC was composed of fifty of the nation's leading industrialists, bankers, merchants, and transportation executives. The first truly national association devoted ex-

clusively to promoting foreign trade and representing all economic sectors, it quickly became the most important organization of its kind (1972:34-35).

The point is not that the U.S. was uninvolved in the international economy earlier than this, but that for the first time a conscious, coordinated movement involving both the state and private interests was taking place for the purpose of expanding the U.S. internationally.

Another development, not unrelated to the relationship between business and government, involved the relationship between finance and industry. After the war, industrialists were able to establish several counter sources of capital to that of the bankers. Williams has noted that the industrialists' "own operations produced much of the capital they needed, and once the government was brought into the new system as a purchaser of goods and services on a large and routine scale, they could and did deal directly with this new source of capital" (1966:381). Moreover, following the war, another group became important both as a source of capital and for public relations--the small stockholder. For example, American Telephone & Telegraph had an increase in the number of shareholders owning five or fewer shares from some 50,000 in 1920 to 210,000 in 1930 (Cochran, 1957:78). This allowed industrialists to use the security market as leverage in their dealings with the banks. This is not to say that the banks did not remain important capital sources and holders of stock, only that industrialists in the U.S., as opposed to Canada, had a degree of freedom from the dominance of financial capitalists that allowed them to deal with financial institutions as equals rather than as dependents.

Important developments were occurring within the banks themselves too. While there were bank mergers before the war, the total number of banks continued to rise until the period following the war. At the turn of the century, there were 12,400 commercial banks in the U.S., rising to 31,000 by 1920 but then the decline began, falling to 25,000 in 1929. The Depression then took its toll on the already declining numbers; 8,800 suspended operations between 1930 and 1933, leaving 15,000 (Cochran, 1957:94-95; Federal Reserve Bulletin, 1968:3ff). The fact that the total number of banks was cut in half in 13 years may seem dramatic but not in comparison with the fate of Canadian banks. In 1874, there had been 51 banks in Canada but by 1925, only 11 remained.

There was also a second merger movement occurring in mining and manufacturing industries, beginning about 1925 and peaking in 1929. This merger movement differed from the earlier one primarily because a few leading companies were already established in most of the key areas. The result was that "horizontal mergers did not often involve the largest firms in the industry but, instead, those in the tier just below them: the third and fourth largest" (Liebhafsky, 1971:177). This is illustrated by the automobile industry where, in 1912, seven companies produced half the cars but by 1923, ten produced 90 per cent. In 1925, "a group of production men and New York financiers organized a rival to Ford and General Motors" in the form of Chrysler Corporation, itself acquiring Dodge Company in 1928. From this point on, the Big Three sold over 80 per cent of the passenger vehicles in the U.S. (see Cochran, 1957:40ff). A second type of merger was vertical, usually carried out by larger companies for the purpose of acquiring companies related to their primary operations. Mergers were complemented by a programme of diversification that was being carried out by the largest companies, especially in high technology industries (see Chandler, 1969:275ff). In the dairy industry there was a radical reorganization with National Dairy Products acquiring 331 dairy companies between 1923 and 1932, and Borden Company acquiring 207 dairy companies between 1928 and 1932 (Liebhafsky, 1971:177). Broadly, the level of concentration that was achieved by the end of this period was to remain fairly constant until the 1960s.

The period 1914 to 1929 is crucial for the external economic relations of the U.S. because in this period it was transformed from a net debtor to a net creditor nation. In other words, in 1914 there was more foreign investment in the U.S. (\$7,200 million) than U.S. investment abroad (\$3,514 million), but by 1929, while the amount of foreign investment in the U.S. remained fairly steady (\$8,931 million), U.S. investment abroad increased almost five fold (to \$17,009 million) (based on Lewis, 1938:3ff).²³ In

²³ The one exception to the general pattern, which remains an anomaly in the U.S. today, was the European controlled Royal Dutch-Shell group. This group began in the U.S. in 1902 and by buying up various companies and properties, grew along with the other U.S. controlled oil companies during the rapid expansion of 1906 to 1932 (see Lewis, 1938:94-95).

comparative terms, this means that by 1925 there was about the same amount of U.S. direct investment within Canada alone as the total amount of all direct investment in the U.S. in spite of the fact that the U.S. was twelve times the size of Canada. However, in terms of its capital relationship with Canada, the period following the war up to 1926 reflects a different pattern than had existed in any earlier or later period. During this time there was actually more U.S. portfolio investment in Canada than direct, while at the same time the amount of U.S. direct investment in Canada increased from \$520 million in 1913 to \$1,403 million in 1926. Thus the U.S., during this period, was not only adding to its direct investments in the form of branch plants but was also supplying most of Canada's foreign portfolio capital. Overall, the effect was to raise the U.S. proportion of all foreign capital sources in Canada from 22 per cent to 54 per cent (see Levitt, 1970:66, Table 3).

U.S. expansion was evident in more than just Canada, but Canada remained the single most important location of U.S. direct investment--both as a market and as a source of raw materials. From the perspective of the U.S., direct investment fell into three main types: first, "direct subsidiaries and other affiliates of American corporations whose chief field of operations is the United States" like the automobile companies or IBM; secondly, "American corporations organized for the specific purpose of operating abroad" like mining companies, utilities and railways, with the most outstanding examples being ITT and Anaconda Copper; finally, "direct ownership by American individuals of stock of foreign corporations" like Dome Mines or International Nickel (Lary, et. al., 1968:361-362).

Companies went outside the U.S. for a variety of reasons, including establishing branches and plants in place of exports, especially to avoid tariffs, for sources of raw materials and cheaper labour, and because foreign operations often offered greater profits than domestic ones. The result was that after the First World War a large number of multinational companies with world wide operations came into prominence, including U.S. banks. In 1920, twelve U.S. banks had 181 foreign offices, mainly started in the two years after the war, none of which were in Canada (Wilkins, 1974:51). Following

the war, the three top U.S. automobile manufacturers were all multinational.

Why was it that Canada received so much of this U.S. investment? Obviously proximity was important and so was the encouragement by Canadian politicians and businessmen, but this cannot be the whole explanation. Seen in terms of the overall strategy of U.S. investments abroad, the reason for Canada's popularity becomes evident. Wilkins summarizes the basic motives behind two distinct thrusts of U.S. direct investment saying, "Whereas market-oriented interests of manufacturers, oil, and mining enterprises tended to be largest in industrial nations, investments based on supply strategies, as in times past, predominated in the western hemisphere (Latin America and Canada), and then in less developed nations around the world" (1974:92). Canada is the only country that falls into both categories of supply- and market-oriented strategies.²⁴ When this is combined with the availability and compatibility of Canada, the reason for such a dramatic influx of investment becomes apparent.

The Effect of World War One on Canada

The immediate effect of the war on the Canadian economy was much more significant than had been the case in the U.S. While Canada had entered the war from the beginning and had experienced it for four years, the U.S. was involved only towards the end. The direct effect in Canada was particularly important in the munitions requirements which spurred manufacturing, in pulp and paper, metals, and motor vehicles, because of demand and world prices, as well as government subsidies (see Safarian, 1959:28ff). The general effect was rapid expansion, even greater than in the U.S.; as Safarian notes, "Between 1923 and 1929 the index of manufacturing production rose by 37 per cent, and that of mining production by 60 per cent. The comparable United States figures were 13 per cent and 11 per cent" (65). The peak reached by 1929 in manufacturing was not reached again until the

²⁴ Myra Wilkins lists 50 U.S.-owned multinationals in 1929 with both 'market-oriented' investments. Of these, 31 had 'market-oriented' investments in Canada while 13 had 'supply-oriented' ones. Only 4 companies had only 'supply-oriented' investments without also having 'market-oriented' ones (1974:143-145, Table VII.2).

Second World War. What these figures do not indicate is whether this expansion was carried out by Canadian or U.S. firms within Canada.

While the U.S. was emerging from the First World War as a net creditor nation, Canada remained a net debtor. The most important changes in U.S. direct investment in Canada occurred between 1914 and 1919. The total increased from \$618 million to \$814 million, but this \$196 million increase was unevenly spread across various sectors, with manufacturing alone increasing by \$179 million (to \$400 million) and mining by \$41 million (to \$200 million). Sales rose by only \$3 million (to \$30 million), petroleum by \$5 million (to \$30 million), utilities by \$7 million (to \$15 million) and railways by \$7 million (to \$76 million). Agriculture fell by \$51 million (to \$50 million). In other words, almost all of the total increase in U.S. direct investment was in manufacturing with mining the only other sector with a significant increase (see Wilkins, 1974:31, Table 1.3). During the war years the amount of direct investment added by U.S. controlled manufacturing almost doubled what it had been at the outset of the war. Aggregate figures mask the concentration that occurred in manufacturing during this period, especially in light of the cutting in half of the amount of U.S. direct investment in agriculture during the war years. By 1924, over 70 per cent of U.S. direct investment in Canada was located in "industrial raw materials and secondary manufacturing" compared to half in 1914 (Aitken, 1961:42).

In the meantime, after the war commercial banks in Canada, of which there were only ten by 1928, continued to hold "bonds, and, to a very minor extent, equities, but their chief activity was the financing of inventories and receivables... The sociological basis of an adequate market for new equity issues did not appear. Internal financing and direct use of personal savings remained the characteristic mode of supplying venture capital" (Bentley, 1955:104-105). Therefore, the financial structure continued to reinforce and support existing corporations or those that could enter from outside, but there was not a developed security market, as in the U.S., that could be used to provide initial capitalization to new indigenous entrants.²⁵

²⁵ Consolidation was rapid toward the end of the period. While there were 374 from 1900 to 1933, 231 of these consolidations occurred between 1925 and

The effect of the war was also to redirect almost all of Canada's external capital attentions from London to New York; "In 1913 Canada had raised 74.2 per cent of its foreign capital requirements in London and only 13.5 per cent in New York. Within two years those proportions were almost exactly reversed" (Nelles, 1974:348). The shift was important in a number of respects, not the least of which was the ending of the traditional capital source for Canadian promoters.

Several U.S. companies entered Canada during the war to explicitly participate in the boom--Aetna Explosives, Procter & Gamble, Chrysler--but most of the growth occurred in existing companies like du Pont, Ford, Imperial Oil and others, while some companies that were Canadian controlled, like Canadian General Electric, reverted to a subsidiary status. Other movements into the Canadian market were induced by suppliers of major firms that had established earlier in Canada. This was particularly obvious in the automobile industry; "whereas in 1919 U.S. capital was estimated to control about 61 per cent of the Canadian motor car industry, by the end of the 1920s U.S.-controlled corporations produced over 83 per cent of the Dominion's cars, trucks, and parts" (Wilkins, 1974:74-75). Firestone, Goodrich, Goodyear, Seiberling and U.S. Rubber all followed the big three automakers into Canada.

One further aspect made Canada more susceptible to U.S. investment than other countries: the fact that U.S. businessmen regarded Canada as part of its domestic market.²⁶ Therefore, even those companies that were

1930 (Reynolds, 1940:6n). Many of these in the food industry were directly attributable to U.S. parents like General Foods, Standard Brands and National Biscuit merging several U.S. companies together and simultaneously merging the subsidiaries of their Canadian predecessors (Wilkins, 1974: 63-64n). J.C. Weldon shows, in "Consolidations in Canadian Industry, 1900-1948", that the decade of the 1920s was the period of greatest consolidation until after World War Two. In this decade, 327 consolidations absorbed 654 enterprises (1966:238).

²⁶ Canada's go-between role reinforces the view of seeing it as part of the U.S. domestic market. "By 1929, among the U.S. corporations using Canadian holding companies for certain overseas business were Union Carbide (for Norway), Kelvinator (for England), Ford Motor Company (for the British empire outside of Britain and Ireland), Standard Oil of New Jersey (for Peru and Colombia), and Aluminum Company of America (for the world outside of the United States). In each of these cases, the parent U.S. enterprise operated in the Dominion along with using a Canadian unit for the added foreign business relations; these were not simply devices for getting out from under U.S. law" (Wilkins, 1974:139).

not multinational were continental. This is best illustrated in the aircraft industry. As Wilkins has shown, "The nascent U.S. aircraft industry was little interested in foreign investments; those investments made were in Canada and were part of the industry's U.S. domestic expansion" (1974: 76). All the U.S. companies acted in unison. Between 1926 and 1929 the five top companies in the U.S. aircraft industry established branches in Canada.

Canada's Post-War Boom and the U.S. Market

Appropriately, given Canada's roots in a staple economy, the greatest boost to the post-war economy was in the pulp and paper industry, an industry which combined new technology and an old natural resource. The expansion was dramatic and based on increased demand in the U.S. The level of newsprint production remained the same from 1913 to 1929 in the U.S. while consumption increased so that imports had to fill the gap, rising from 220,000 tons in 1913 to 2,421,000 in 1929. Canadian producers responded, and "in 1929 Canada accounted for about 65 per cent of world exports of newsprint. Of the 1929 output, 90 per cent was exported, and 90 per cent of this was exported to the United States" (Safarian, 1959:43). From a small competitive industry, mergers in the 1920s resulted in a concentrated industry with three companies controlling half the production and another handful the remainder (44n).

The state did not simply sit by while these developments were transpiring; they intervened on behalf of the industry. As Nelles has noted:

Certainly the state had intervened with unprecedented force and directness into the affairs of the pulp and paper industry; but it must be noted that it did so on terms dictated by the leaders of the industry itself. Government was not regulating business in the public interest, but rather it was acting as the political extension of an industrial cartel. It merely assumed that the objectives of the Newsprint Association of Canada were identical with the public interest (1974: 461-462).

Who controlled the pulp and paper industry? A good deal was U.S. controlled with some important Canadian participation. In 1914, of \$221 million U.S. direct investment in Canadian manufacturing, \$74 million was in pulp and

paper. Between 1914 and 1916, "four new, giant American paper and pulp mills were constructed across the northern border" because it was much cheaper to do so in Canada (\$30.52 a ton in the U.S. and \$26.38 in Canada), and since there were no duties on exports (Wilkins, 1974:9). By 1929 the three largest Canadian pulp and paper companies were International Paper and Power, Abitibi Power and Paper, and Canada Power and Paper. U.S. capital participated in all three but only International Paper and Power was U.S. controlled (93). Abitibi was Canadian owned and was among the largest. However, from the beginning, unlike the earlier staples that supplied Europe, there was substantial direct U.S. participation in the pulp and paper industry. No longer were staples to be the exclusive domain of indigenous interests.

Between 1919 and 1929, U.S. direct investment in Canada increased from \$814 million to \$1,657 million. Of this \$814 million increase, \$420 million was in manufacturing and \$118 million in mining. Agriculture fell further by \$20 million but utilities rose by \$230 million (to \$245 million) (see Wilkins, 1974:55, Table III.1).

In the mining industry, control varied, depending upon the metal. In gold, Canadians owned 70 per cent and the U.S. 27 per cent in 1921; in nickel, 48 per cent was U.S. and 43 per cent U.K., with little Canadian ownership²⁷ (Nelles, 1974:151). In oil, U.S. companies dominated, led by Imperial Oil, 73 per cent owned by Standard Oil of New Jersey in 1927, with other companies directly selling oil in Canada.

Only in the case of hydro was the government resistant to U.S. ownership. The resource industries, particularly pulp and paper, mining and aluminum, were the most active protagonists for cheap efficient hydro. Beginning with Ontario, and over the years in most other areas, the state has taken the lead in providing hydro-electric power. But why the state? The

²⁷ According to Wilkins, "In Canada, in 1929, the U.S.-controlled International Nickel Company sold more than 90 per cent of the world's nickel...By 1929, Americans owned not only most of Canadian nickel mining, but also the bulk of the Dominion's copper, gold, and asbestos output" (1974:106-107).

most thorough analysis of this question has been provided by H.V. Nelles and he raises the question:

Did an interventionist public philosophy significantly alter the pattern of resource development in the province [Ontario] from the continental norm? After surveying the record the answer must be a qualified no, the qualification being the important exception of Hydro. If anything, the proprietary relationship made it easier for business to establish a firm grip upon the instruments of the state. In this, Hydro was not an exception, for it was run by businessmen, for businessmen, in what was always referred to as a 'businesslike' manner (1974:489-490).

Nelles' answer is clear: "Power was far too precious as an agent of industrial expansion to be left under the control of monopoly capital, Canadian or American" (492-492). As with canals and railways, the state would be the initiator of the necessary infrastructure of industrialization; it would provide the necessary conditions for capital accumulation.

At the continental level the most powerful corporations and capitalists operated freely on both sides of the border. The fact that U.S. industrial and resource capitalists were so powerful in Canada reflects their power base in the U.S. There was no bar on Canadian capitalists operating in the U.S. In fact, as shown earlier, the banks and railways had extensive operations there. Nor were industrial and resource interests prevented from U.S. operations; the most powerful of them, like the Steel Company of Canada, had both coal and ore properties in the U.S. "In 1917 it acquired an interest in two ore properties, and in 1926, in two additional ore properties, all in the Lake Superior region. In 1918 it purchased 1,617 acres of coking coal in Pennsylvania for \$1,090,000, but in 1919 these were consolidated with other holdings so that it has a one third interest in 4,438 acres" (Marshall, et. al., 1936:185). The difficulty was the shortage of indigenous industrial corporations.

Much of the reason for the shortage of Canadian industrials was the shortage of venture capital. Canadian capitalists cared little whether their money came from Canadian or U.S. sources, just so long as it came, and the most secure investments were in the U.S. The Monetary Times in 1918 remarked on the extensive private Canadian holdings of U.S. securities:

there is still a considerable amount of high-grade United States investment stocks held in the Dominion. Before the war the business in Wall Street stocks transacted by Montreal and Toronto brokers probably exceeded the business done in Canadian stocks. Many Canadian capitalists and financiers were accustomed to carry considerable lines in the United States stocks; also the wealthy American residents in Canada and the highly paid executive officials of large United States branch industrials located in this country, naturally leaned towards United States securities (May 3, 1918; quoted in Viner, 1924:89-90).

Lines of interest ran with lines of capital, not with those drawn by politicians on maps.

VII. The Depression Years (1929 to 1939)

War brought the state and economy together but depression had a similar effect. With business faltering during the Great Depression, it more than ever called on the state to 'set things right again.' It was not without a great deal of struggle that big business had to fend off the interests of farmers, unions, and small businessmen to maintain the reins of state power; the depression was costing big business a great deal of credibility. It would take the full decade of the 1930s and the Second World War before the earlier pattern of aggressive foreign expansion could be pursued again.

Manufacturing output in the U.S. declined 48 per cent from 1929 to 1932, Canada dropped 40 per cent, France 26 per cent and the United Kingdom 18 per cent (Wilkins, 1974:169-170). The Hawley-Smoot tariff (almost doubling the average duties to 40 per cent) was put in place in 1930 but it turned out to be "an aggravation of the crisis" as "America naively construed foreign commerce as the right to sell, with little or no obligation to buy in exchange" (Wecter, 1966:1253). The international reaction was to declare economic war and to erect counter-tariffs and quotas resulting in cutting U.S. exports in half. Ironically, the effect was a further outreaching of U.S. branches, especially in Canada; "to escape this threat of boycott, American manufacturers during the first two years of the Hawley-Smoot act set up two hundred and fifty-eight separate factories in foreign countries, including seventy-one across the Canadian line" (1254). Branches seemed

to end up in Canada whether it was Canada or the U.S. that imposed the tariff.

Within the U.S., the effect of the depression was to reinforce concentration by eliminating many smaller competitors. The TNEC hearings' Investigation of Concentration of Economic Power toward the end of the period found three automobile companies with 86 per cent of the output, two beef products companies with 47 per cent, three can companies with 90 per cent, five cement companies with 40 per cent, three cigarette companies with 78 per cent, two plate glass companies with 95 per cent, four iron ore companies with 64 per cent and three steel companies with 61 per cent (reported in Brady, 1943:210). While domestic cartels were illegal, international ones could not be controlled. Companies like Anaconda Copper, Bendix Aviation, Diamond Match, du Pont, General Electric, Standard Oil of New Jersey, United States Steel, and Westinghouse "entered into agreements ...with foreign producers often to restrict production in order to raise prices and increase profits, and still more commonly to divide world markets and exchange patents" (Wecter, 1966:1254).

In spite of this enormous concentration of power, or possibly because of it, many firms began to fail and there was a general withdrawal of the world economy. For example, by 1935 the value of U.S. foreign investment was lower than at its height in 1929. According to Wilkins, "In 1931 and 1932 some American companies with plans for foreign plants cancelled such projects. Some U.S.-owned foreign facilities stopped operations. Certain U.S. subsidiaries and affiliates abroad changed nationality, that is, the American parent sold them to Australians, Englishmen, or Canadians" (1974: 171). Many U.S. companies were driven to establish branches in Canada and elsewhere because of the U.S. tariffs but the conditions were poor and many of these failed.

Relations between Canada and the U.S. in the 1930s can be divided readily into two periods: retaliation and reconciliation. Retaliation to the Hawley-Smoot tariffs of 1930 brought the Bennett tariffs of 1930-1931 and the Ottawa Agreements (or Imperial Preference) of 1932. Reconciliation brought the Reciprocal Trade Agreements of 1935. The effect of the preferential trade agreements opened Commonwealth markets to goods manufactured in Canada. As a result many U.S. companies moved into Canada; of the 1,350

U.S. companies in Canada in 1934, 26 per cent were established between 1930 and 1934 (Marshall, et. al., 1936:19). This pattern did not last long, however, and "in 1935 Canada and the United States succeeded in negotiating their first comprehensive trade agreement since 1854-1866. Under this agreement Canada extended most-favoured-nation treatment to the United States and obtained significant tariff reductions on exports of important primary products to the United States. This new departure was to have a substantial effect on the direction of Canadian trade" (Deutsch, 1959:39). As a result, the number of new branch plants established in Canada after 1935 dropped substantially because of these liberalized trade agreements. While the number of new firms after 1935 declined, the size of investments began to rise, recovering the pre-depression peak by the Second World War. These agreements, because they opened the door to raw materials, helped to maintain Canada's focus on resource extraction and export.

From 1929 to 1940, U.S. direct investment in Canada rose by only \$446 million (much less than the \$843 million increase between 1919 and 1929). Manufacturing increased by \$123 million but at a lower rate than earlier, while merchandising rose considerably by \$74 million (to \$112 million) and petroleum by \$65 million (to \$120 million). However, mining fell by \$131 million (to \$187 million) and agriculture continued its fall as an outlet for direct investment by \$20 million to total only \$10 million. Utilities, including railways, continued its earlier increase, rising by \$89 million (to \$407 million) (see Wilkins, 1974:Table viii.2). By 1930, virtually all major U.S. manufacturers had plants in Canada and, of the total manufacturing done in Canada, one third was U.S. owned, about the same proportion as in mining, smelting and petroleum, and 30 per cent of the utilities. The U.S. presence was firmly in place. Around 1930, of the just over a thousand U.S. controlled firms operating in Canada, about half of these were in manufacturing, and about 10 per cent in each of merchandising, pulp and paper, and mining and smelting. By 1932, just over 200 U.S. controlled companies in Canada had capitalization of over \$1 million and 110 were in manufacturing, 23 in mining, 44 in utilities, and 47 in merchandising (Marshall, et. al., 1936:22, 26). Added to this broad perspective, however, must be the degree of concentration in U.S. controlled companies operating in Canada. Only 35 firms controlled over

60 per cent of the U.S. controlled capital (Marshall, et. al., 1936:247).

Even from this period, U.S. investment in Canada tended to be concentrated in certain activities while avoiding others. It controlled a large share of rubber goods (64 per cent), machinery (42 per cent), automobiles (82 per cent), electrical apparatus (68 per cent), non-ferrous metals (50 per cent), non-metallic minerals (44 per cent), chemicals (41 per cent), and pulp, paper and lumber (34 per cent). In the agricultural implement business, the U.S. controlled International Harvester Company had about 40 per cent of Canadian sales while Canadian controlled Massey-Harris sales in Canada were only half those of International's, but its total sales were 50 per cent greater. Three other U.S. companies had between 11 and 19 per cent of Canadian sales (Marshall, et. al., 1936:61-62). Therefore, it was not that the Canadian company was small but simply that two thirds of its market was outside Canada, leaving most of the Canadian market open to U.S. companies.²⁸ Because of the U.S. dominance in automobiles the proportion of U.S. control of iron products in Canada was about 39 per cent but only 12 per cent of basic steel was actually U.S. controlled. The three dominant primary steel producers were the Steel Company of Canada, Dominion Steel and Coal, and Algoma Steel. The dominant company in the U.S., United States Steel, sold its Canadian properties to Dominion Steel and Coal in 1937. Pulp and paper was the outlet for over one quarter of U.S. direct investment in manufacturing but U.S. sources controlled 'only'

²⁸ Warnock has traced the "relative destruction of the farm machinery industry in Canada" following from free trade. Although branches were established as early as 1847 from the U.S., these were primarily sales agencies. After the formation of International Harvester in 1902, it dominated the U.S. market, controlling 75 per cent of the retail market although escaping anti-trust action. "International Harvester tried to purchase the Massey-Harris firm. This failed. As an alternative, they established a branch-plant in Canada in 1903...During the 19th century, Massey-Harris was the dominant firm in the farm machinery field with over 50% of total Canadian sales. During the 1920's and 1930's, this dropped to around 20%, but with International the two firms controlled around 60% of the Canadian market." After the tariff was removed in 1944, production in Canada experienced a major setback. "In 1941 imports were around 50% of the total sales in Canada. By 1947 this had risen to 72%; by the 1960's, imports accounted for over 80%...In 1942, exports were 7% of total production. This rose to 51% by 1952. However, exports were only around one-half of the value of imports" (1975:36-38).

34 per cent of production. There were other areas where little U.S. investment was evident, such as textiles, telephones and telegraphs and finance, with the exception of some areas of insurance.

U.S. plants were also highly concentrated geographically in Canada. In 1934, two thirds of all U.S. plants were located in Toronto (32 per cent), Montreal (13 per cent), Hamilton (5 per cent), the Niagara Frontier (7 per cent) or nearby border cities (9 per cent). Of all manufacturing establishments in Canada in 1931, 42 per cent were in Ontario and 31 per cent in Quebec, but 66 per cent of the U.S. controlled plants were in Ontario and 16 per cent in Quebec (Marshall, et. al., 1936:221-222). Therefore, the Ontario-centred branches of U.S. manufacturing firms tended to reinforce the problem of regionalism in Canada.

Important sectors of the resource industries continued to be dominated by U.S. interests. In mining the most important company was International Nickel which was not a U.S. subsidiary but 43 per cent of its stock was owned by Americans, 34 per cent British and 22 per cent Canadian, with 13 American board members, 7 Canadian and 5 British (Marshall, et. al., 1936:101). Petroleum continued to be dominated in the 1930s by Imperial Oil, a U.S. subsidiary of Standard Oil of New Jersey, but there was little Canadian production since 95 per cent of the crude was imported.

In retailing, six U.S. 'chains' were important in Canada by the 1930s, including Great Atlantic and Pacific Tea, H.L. Green, Kresge, Liggett, Mercantile Stores and Woolworths. These were simply Canadian divisions of U.S. retailing systems. Dominion Stores was a different case; it was not a subsidiary but had 71 per cent of its shares held in the U.S. (Marshall, et. al., 1936:154-158). In telephones, the American Telephone and Telegraph Company had a 24 per cent interest in Bell Telephone of Canada in 1934, as well as various patent and research agreements.

U.S. banks expanded abroad after the First World War; in 1913, there were only 26 U.S. foreign banking branches, rising to 156 by 1919 and an early high of 181 in 1920. But after that time there was a decline to 120 by 1924 and this remained at 118 by 1935. Up to this time, "of the total number established abroad, about 37 per cent were in Central and South America, 27 per cent in the West Indies, 19 per cent in Asia, 15 per cent in Europe, three branches or 1 1/2 per cent in Mexico, and one branch in South America" (Lewis, 1938:197). Canada is conspicuous by its absence.

The reason may well be the lack of openings in Canada with only 10 banks in 1930, the four largest accounting for 80 per cent of the business. On the other hand, five Canadian banks at this time had 13 branches in the U.S. In addition, "the larger Canadian investment bankers, especially A.E. Ames and Company, Ltd., Wood Gundy and Company, and Dominion Securities, have New York offices. And 92 Canadian investment trusts hold American securities" (Marshall, et. al., 1936:175). In life insurance, U.S. companies operated in Canada with 20 companies in 1932, accounting for about 32 per cent of the insurance in force. The reverse process was also occurring. In 1932, there were 14 Canadian life insurance companies in the U.S. with this business accounting for 22 per cent of their total business but only 8 per cent of the total of all life insurance in force in the U.S. (in contrast the U.S. companies' operations in Canada were equivalent only to 2 per cent of the insurance in force in the U.S.) (see Marshall, et. al., 1936:163, 196-197). As with many activities, it was not because the Canadian life insurance companies were any less active continentally than their U.S. counterparts; it was simply that the U.S. market was so much larger that it could absorb any Canadian presence much more readily than could the smaller Canadian market.

Aside from financial institutions, Marshall and his colleagues were able to locate some 76 Canadian companies operating in the U.S. in the early 1930s with 138 branches and subsidiaries. For example, there were three paper mills, with Fraser Companies being most important (including a 10-year contract with Sears, Roebuck for their catalogues), and another eight companies in paper products. Together they operated 17 factories and six sales outlets. After prohibition ended, there were 12 breweries and distilleries, including Hiram Walker-Gooderham and Worts and Distillers Corporation-Seagrams. Canada Packers also operated several meat packing plants and George Weston Company had bakeries. In 1932, Loblaw Groceries operated 132 stores in the U.S. Algoma Steel and Stelco had coal properties. Overall, nine iron, steel and mineral product companies had 17 factories in the U.S. (see Marshall, et. al., 1936:77-294).

What distinguishes the Canadian operations in the U.S. from the reverse in Canada is mainly size, both of the companies themselves and the size of their respective markets. In the aggregate, Canadian compan-

ies had an insignificant impact on the U.S. economy while about one quarter of Canada's total economy was U.S. owned and the proportion was much higher in key sectors. Moreover, the U.S. penetration of Canada was much more systematic than the Canadian penetration of the U.S. The Canadian companies in the U.S. were generally there in search of specific resources, as in the case of the steel companies, or to complete a Canadian transportation network, as in the railways. A few companies, like Massey-Harris and Moore Corporation, could claim an important international presence.

Summary

This chapter has explored the historical developments and processes leading to contemporary patterns of continental capitalism prior to World War Two. The American Revolution marked a radical break for the U.S. from the U.K. and its hegemony. The industrial North defeated the commercial South in the Civil War. In the U.S., industrials were thus encouraged to embark on an independent, indigenous development process, unlike Canada where commercial classes continued to dominate. In the U.S., industrialists transformed themselves into corporate capitalists. The result has been that different fractions of the capitalist class have been dominant in Canada and the U.S. In the U.S., there was a clear progression from the small entrepreneur to the national corporation to the multinational corporation, and this final phase of U.S. development, in turn, had its impact in Canada. Along with the retardation of industrialization imposed by Canadian financial interests, imported industrialization from the U.S. has severely limited indigenous development in Canada.

It may well have been that if the Canadian economy had been allowed to evolve free from foreign influence after the break with the British, that the manufacturing and later the resource sectors would have finally emerged and consolidated smoothly with financial capital into a system of corporate capitalism in a 'balanced' development of industry and finance. But, as is now known, this was not the environment within which manufacturing and resource development occurred. To the south, engaged in a process of consolidation, was the most powerful industrial economy of the world. Facilitated by Canadian commercial capitalists and the state, both anxious for resource extraction and industrial capacity in Canada, the U.S. indus-

trial giants brought much of Canada's nascent industry into its fold and bought up most of the resources, in large part because they were needed in the U.S. and these same U.S. interests controlled the market there. Canadian capitalists and the state were not completely duped in the transaction. The state has often pressed, although not always hard, to have part of the processing and production of these resources and products done in Canada. Seldom have they pressed to have this activity controlled by Canadians. Canadian capitalists have participated in these developments in a multitude of ways, to be expanded upon in later chapters, and at least the most powerful ones have gained considerably.

Many of the seeds for the current high levels of U.S. direct investment in Canada were planted in the 1920s, supplemented immediately after the Second World War and nourished on the rapid post-war resource and industrial boom. This investment was meant to feed two mutually reinforcing U.S. needs--sources for raw materials (both resource and industrial and outlets for markets (both industrial and retail). In the process many potential 'openings' in the Canadian economy closed, being filled by U.S. corporations. Aside from the early industrial pursuits such as steel, beverages, food, and pulp and paper, most other vacuums were quickly filled. New resource activities--especially petroleum--were brought into the circle of world resource monopolies led by the U.S. Many U.S. manufacturing and resource sectors were at the stage of consolidation at the same time Canadian firms in these areas were only beginning to become stabilized. The periods of merger and consolidation within the U.S. coincide with the periods of buying and establishing U.S. branches in Canada. Just as many of the branches of U.S. firms established in Canada were not perceived as 'foreign' by U.S. investors, their early reception by the Canadian state was as companies that would become 'Canadianized.'

The dominance of the financial sector in Canada has also had its effects. In the formative stages, industrialists often provided the entrepreneurial skills, market outlets and took the major risks, while financial capitalists acted as catalysts by providing the much needed capital for expansion. They were catalysts in the sense that particular industrialists and particular industrial activities were favoured over others thus stimu-

lating growth of a select range from the multitude of possibilities. Even in the later stages when the internal requirements of giant corporations are largely self-financing, external capital access is essential for large scale expansion in new areas and in acquisitions of other companies. Thus, financial capitalists still have a 'guiding' role even in the era of advanced corporate capitalism. Typically, financial capitalists are provided only with a range of options with the industrialists of their own nation. In Canada the situation was far from typical since industrialists from the U.S. were willing and able to move readily into Canada. Moreover, they moved into Canada with a much more developed technological base than their Canadian counterparts had, and with secure markets in the U.S. Rather than risk supporting indigenous Canadian industrialists, given the inviting option of U.S. companies, financial capitalists frequently exercised their option by supporting the more stable and secure companies from the U.S. Thus, by feeding some and starving others, Canadian financial capitalists had a large part in laying the groundwork for the current place of Canada in the world system.

Alone, national financial capital is inherently weak. It requires secure long term capital outlets. Thus, it is typically found to be closely integrated with national industrial capital during the era of corporate capitalism. But this is not the only outlet--only to mention giant transportation and utility projects, or in Canada's case, externally controlled industrial capital or even the state and its sponsored activities--illustrates the variety of alliances possible for financial capital. Given the powerful place of financial capitalists in Canada, it is understandable that all these outlets have been used--in giant transportation and utilities projects, often sponsored by the state, in financing foreign manufacturers both within Canada and directly in their parent companies and in specific Canadian companies complementing their interests. What is important is the direction and relative proportion of each activity and alliance. It will be the task of remaining chapters to specify the contemporary nature of these relationships.

CHAPTER FOUR

Consolidation of the Continental Economy: The Post-World War Two Period

From 1940 to 1957, the ruling class of this country was radically reshaped. In 1939, the United Kingdom still seemed a powerful force, and the men who ruled Canada were a part of the old Atlantic triangle. They turned almost as much to Great Britain as to the United States, economically, culturally, and politically. After 1940, the ruling class found its centre of gravity in the United States (George Grant, Lament for a Nation, 1965:9-10).

Crucial to an understanding of the dominant place held by U.S. capitalists in Canada's sphere of production is the period immediately following World War Two. The following figures, provided by Gideon Rosenbluth, illustrate the rapidity of the change: in 1946, 35 per cent of Canada's manufacturing was foreign controlled, by 1953, this rose to 50 per cent and by 1957, to 56 per cent; in mining and smelting the corresponding increases were from 38 per cent to 57 per cent to 70 per cent (1961:206).¹ Thus, in the course of a decade after the Second World War, both the manufacturing and mining and smelting sectors of the Canadian economy, the productive cornerstones, shifted from predominantly Canadian owned to predominantly foreign. Why?

In the previous chapter the stage was set for an understanding of the processes and forces which came to a head in this post-war period. It was argued that the forces of production in the U.S. were strong and outward looking while in Canada they had been underdeveloped by Canadian capitalists in control of the sphere of circulation and by the early entry of U.S. industrialists. Thus the uneven development of Canada's past culminated in this crucial period, providing the conditions whereby the vacuum in Canadian production would be filled by outsiders. This chapter will document the takeover of the productive sectors of the Canadian economy and identify the major factors accounting for this outcome. Later chapters will focus on

¹When speaking broadly of foreign direct investment in Canada, it is really the U.S. that is being referred to, since about 80 per cent of all foreign direct investment in this country after the 1930s has been controlled from the U.S.

the consequences of these developments for Canadian society.

As in the earlier periods, it is necessary to analyse what was occurring within the U.S. as well as in Canada to understand both the outward thrust of the U.S. economy and the receptivity of Canada's. This requires beginning with the war years themselves and their effects on the two economies.

The Wartime Economy

In the wake of the Great Depression came the Second World War--a mechanized war, an industrial war--which boosted the U.S. economy out of its slump. With this, U.S. corporate capitalism once more moved into a commanding position in the world system. As C. Wright Mills has observed:

In capitalistic economies, wars have led to many opportunities for the private appropriation of fortune and power. But the complex facts of World War II make previous appropriations seem puny indeed. Between 1940 and 1944, some \$175 billion worth of prime supply contracts--the key to control of the nation's means of production--were given to private corporations. A full two-thirds of this went to the top one hundred corporations--in fact, almost one-third went to ten private corporations (1956:100).

Additional indirect incentives were also added, such as being able to amortize over five rather than twenty or thirty years and to purchase, at low rates, government-run operations after the war. "Of plants built directly by the government, about half, over seven billion dollars' worth, were constructed and operated under contracts with only thirty-one corporations" (Cochran, 1957:60).

It is tempting to say that the war rebuilt the American economy but this would not be correct; it simply served to enlarge existing corporations.² It did, in a sense, rebuild the society. In 1940, there had been

² Kaplan says, "The Federal Trade Commission reported that, during the period 1940-46, the process of war mobilization and demobilization saw the merging of not less than 1,658 companies: nearly one-third of these were absorbed by corporations having assets of \$50 million or more. These developments in turn implied that the disparity between big business and the rest of the economic structure had been accentuated by the wartime experience" (1964:33).

seven million unemployed in the U.S. but by 1944, there was only one per cent unemployment. Unlike the First World War, which increased output by a mere seven per cent, this was a total war for the U.S. and output more than doubled in six years. By 1945 war was using 57 per cent of the national income (Cochran, 1957:134). In addition to consuming such a large share of national income, the war also placed many raw materials in short supply--copper, tin, zinc and especially iron ore--thus provoking a worldwide search for sources of these materials, particularly in the back door storehouse of Canada.

What is more, the Second World War did not end war for the U.S. By 1950 and 1951, the U.S. state was again putting over \$18 billion into the treasuries of 100 corporations--including \$2.4 billion to General Motors and \$1.2 billion to United Aircraft (Cochran, 1957:160). As in the First World War, 'dollar-a-year' businessmen were brought in to run the Office of Production Management, Office of Price Administration and Civilian Supply, the War Resources Board and other such government war agencies established for the U.S. effort in World War Two: men like William S. Knudsen and Charles E. Wilson of General Motors, Edward R. Stettinius of U.S. Steel, John D. Biggers of Libbey-Owens-Ford, Charles Wilson of General Electric, Ralph Budd of Great Northern Electric, Donald Nelson of Sears, Roebuck or William Jeffers of Union Pacific. Business took over the state apparatus.

In terms of increasing production, the war had a similar effect in Canada to that in the U.S. By 1943, 60 per cent of those employed in manufacturing were working on war materials (Firestone, 1958:214). As Wolfe's analysis of the period illustrates, "the key factor in accelerating [Canada] out of the slump of the 1930's was the impetus provided by the Second World War. The primary result of the war was the relative growth of secondary industry" by curtailing imports and accelerating demand (1973:43). The change was rapid; from \$1.2 billion in 1939 to \$2.9 billion in 1945, resulting in an average annual growth rate of 23 per cent during the war. Under the direction of C.D. Howe, the Department of Munitions and Supply had spent \$900 million on crown corporations and \$15 billion on war supplies.

As in the U.S., accelerated amortization was another device helping private corporations. For example, the Aluminum Company of Canada (Alcan) saved \$164 million this way on the Sheslay power project alone. "Altogether the accelerated depreciation rates were applied to capital investments worth \$1.4 billion undertaken by 4,212 companies during the five year period. This constituted four fifths of all manufacturing investment at the time" (Wolfe, 1973:91-92). Modern industrialization came to Canada courtesy of the war and the Canadian state.

The presence of such extensive U.S. ownership in manufacturing made little difference; like Canadian controlled companies, they too converted for wartime. The Foreign Exchange Control Board designed to control resources for the war, issued licences to foreign subsidiaries in Canada, not wishing "to upset any existing arrangements which the Canadian companies have with their parent companies by way of inter-company accounts" (quoted in Wilkins, 1974:251). War would not stand in the way of the continental economy--it would consolidate it.

U.S. Investment in Canadian Resources and Manufacturing

Personally, I am afraid of foreign investments. The record does not show that our foreign investments to date have been very profitable, except for those in Canada, which I do not regard as a foreign country (treasurer of a large U.S. company in 1946, quoted in Wilkins, 1974:311).

U.S. direct investment abroad had experienced severe setbacks since the depression beginning in 1930. As the following table indicates, the total value of U.S. direct investment actually fell in real terms between 1929 and 1946. The cutbacks had been greatest in Latin America and Europe, each losing some \$400 million from 1929 to 1946 in U.S. foreign investment; U.S. investment in Canada actually increased by \$500 million over the period, but then again it was not regarded "as a foreign country."³

³This practice of U.S. businessmen not regarding Canada "as a foreign country" is also reflected in some U.S. studies of multinational corporations. For example, Knickerbocker says, "Canada was excluded because a number of U.S. firms considered their Canadian operations an integral part of their domestic operations; their reasons, therefore, for establishing a Canadian subsidiary are not very likely to be the same as their reasons for estab-

TABLE ONE

Total Book Value of U.S. Foreign Direct Investment
1929 to 1970 (Selected Years)

	(\$ billions)					
	1929	1946	1950	1957	1963	1970
Canada	2.0	2.5	3.6	8.6	13.0	22.0
Latin America	3.5	3.1	4.6	8.1	9.9	14.7
Europe	1.4	1.0	1.7	4.1	10.3	24.5
Other	<u>0.6</u>	<u>0.6</u>	<u>1.9</u>	<u>4.4</u>	<u>7.5</u>	<u>16.1</u>
TOTAL	7.5	7.2	11.8	25.2	40.7	78.1

(Source: Vernon, 1972:205, Table 10-1)

The previous table also illustrates some important variations in the immediate post-war expansion of \$4.6 billion in U.S. direct investment over the course of only four years. While the U.S. was quick to respond with increased investments in Canada and Latin America, the increase in Europe was somewhat delayed. Canada and Latin America were both sources of resources, much sought after by the U.S. following the war. Canada was also a market outlet, as was Europe, and the dismantling of the Canadian war economy was lucrative for those buying up businesses.⁴ But the European market had not yet stabilized following the massive destruction during the war and there was little business to buy at that point.

Nowhere and at no time (except by military conquest) has the increase in foreign control been so rapid as it was in Canada following the war. Rosenbluth's figures at the beginning of this chapter document the swiftness of this takeover. Although there were many early signs, beginning with the early branch plants leaping the National Policy tariff of 1879 and subsequent tariffs, as well as the expansion of U.S. companies in the 1920s, it took the war-induced industrialization in the mid-1940s to consolidate the continental economy. Early trade patterns with the decline

lishing subsidiaries in other countries" (1973:33-34). On the other hand, the practice of excluding Canada from such studies eliminates these practices from the realm of investigation.

⁴The \$200 million government war plants were sold off by the Crown Assets Allocation Committee, directed by C.D. Howe. "By 1947, \$107 million worth of these plants had been sold or leased to private industry, generally at one third the price of their original construction cost" (Wolfe, 1973:88).

of British dominance led the way but the difference between trade and foreign ownership is the difference between independence and dependence.

Induced in large part by the depletion or envisioned depletion of resources within its own boundaries following the Second World War, many U.S. companies in both manufacturing and resources were given added incentive to tap those of Canada. Greeted by further inducement and endorsement by Canadian politicians and businessmen, a receptive environment for continental integration was formed. This pattern of resource-directed U.S. investment is illustrated by Aitken: "Capital inflows from the United States since World War II have been heavily concentrated in areas of the economy that contribute directly to exports to the United States. Approximately 70 per cent of the total inflow of direct capital investment from the United States in the period 1946-1955 went into the petroleum, mining, and pulp and paper industries" (1959:11).

Stemming from the Leduc find in 1947, oil was a major contributor to the post-war boom in resources. But Canada's oil came into production when the major oil companies had already carved out their markets. As Aitken argues, by 1952, "it was apparent that the further development of the Canadian oil industry depended less upon the discovery of additional reserves than upon access to markets" (1959:23). The local prairie market was small and the central Canada and U.S. market had to be tapped. Pipelines were required and the necessary technology was mainly U.S. controlled. Thus Interprovincial Pipelines was formed in 1950 to transmit the oil to Imperial Oil's Sarnia refinery and the major markets; today, Imperial Oil continues to hold a third interest in Interprovincial. One half of the U.S. capital that entered Canada between 1946 and 1953 went into petroleum. By 1954 Canadian oil supplied the entire market between Vancouver and Toronto; by 1957, 70 per cent of the petroleum and natural gas industries in Canada were U.S. controlled.

Iron ore mining was an area where U.S. steel companies, after the war, attempted to guarantee their supply sources by developing Canadian resources. In 1949, five U.S. steel companies (Armco Steel, National Steel, Republic Steel, Youngstown Sheet & Tube, and Wheeling Steel) along with Hollinger Mines (a Canadian company) and Hanna Ore Mining (a U.S. company), formed the Iron Ore Company of Canada to develop iron ore in Quebec. Shortly

after this, other U.S. companies, like Kennecott Copper and U.S. Steel, also began active exploration (Wilkins, 1974:305).

This tremendous push into Canadian resources by U.S. firms (from both the resource and manufacturing sectors in the U.S.) must be seen as part of a conscious effort. After the Second World War, and further reinforced by the Korean War, the U.S. government was moved to investigate its resource requirements for the future. The result was the Paley Report which identified 29 key commodities. Appropriately, the Paley Report was officially entitled the President's Materials Policy Commission, Resources for Freedom (5 Volumes, Washington, D.C., 1952). Of these key resources, Canada was specified as a likely major source for 12. Because of the security of Canada (politically and militarily), it became advisable to shift attention here rather than to Latin America.

In 1950, U.S. direct investment in mining in Latin America had been about double that in Canada. In recorded history, U.S. direct investment in mining in Latin America had always been higher than in Canada. By 1960, however, U.S. stakes in mining in Canada surpassed those in the whole of Latin America. This was not because of the exhaustion of Latin American mineral resources. Rather the reason lay in the conditions of doing business in Latin America that compared unfavorably with the more suitable investment climate in Canada (Wilkins, 1974:392).

Furthermore, the conscious effort by U.S. capitalists and their state was met by an equally conscious Canadian state. As David Wolfe has observed, during the 1950s, "in the case of the GATT tariff reductions, Canadian negotiations concentrated on gaining easier access for Canadian raw materials to foreign markets. [C.D.] Howe and the Government tended to view the resource industries as the lead sector of the Canadian economy that would provide the stimulus for the expansion of industry in the manufacturing and service sectors" (1973:123). C.D. Howe, the great 'salesman', said in a 1954 speech in Boston,

Canada has welcomed the participation of American and other foreign capital in its industrial expansion. In Canada, foreign investors are treated the same as domestic investors (quoted in Wolfe, 1973:120).

Prime Minister Louis St-Laurent also supported Howe's position, arguing that foreign capital somehow became 'nationalized' once it had entered Canada (see Thomson, 1967:148). As will be shown, it is not so clear that St-Laurent's argument was right. What is clear is the success of this government policy, a policy which promoted, as in the past, export of Canadian resources and foreign ownership within Canada of manufacturing.

Even in terms of manufactured products, pulp and paper (which is certainly resource based) remained the primary Canadian export to the U.S. accounting for about half of all exports at the end of the 1950s. Aitken analysed four natural resources (pulpwood, nickel, petroleum and natural gas) and concluded that,

Each of them is a natural resource available in large quantities in Canada. All were initially developed by United States capital and entrepreneurship, with the aid of United States technology to serve the United States market. In each of them Canadian government policy has been directed toward modifying in some degree the tendency for the later stages of processing, manufacture, and utilization to be located in the United States (1959:33).

Generally, Canada at the end of the 1950s was in a position where three fifths of all its exports were destined for the U.S. market and over 70 per cent of this was in raw materials for U.S. industries (Aitken, 1961: 74-75).

As a result of Canada's particular form of development, it has become very much an extension of the U.S. economy. By 1971, exports made up 17 per cent of the Gross National Product (GNP) and imports another 15 per cent, between them accounting for a third of Canada's GNP (Canada Year Book, 1973:758, 856). By contrast, in 1968, when the U.S. had exports making up only 4 per cent of its GNP, in Canada exports were 24 per cent (see Fortune, August 1971:144-149). Much of the dominance of the U.S. over Canada in trading terms is due to sheer size differences. While in world terms Canada's GNP is of moderate size (certainly not small), in contrast to the U.S. it is dwarfed. For instance, in 1970, the U.S. traded \$8,810 million to Canada while Canada traded \$10,920 million to the U.S.--not very dramatic differences. However, this accounted for only 20.7 per cent of trade to the U.S. but 65.4 per cent of Canada's

total (United Nations, Monthly Bulletin of Statistics, June 1971:xii-xvi). The differences with the U.S. are more than size differences alone; they also reflect different types of exports and imports from the U.S. and radically different per capita levels. A recent Toronto Star article reports, "We import more manufactured goods per person than any other major nation: twice the European average and four times the American. Last year, Canada imported \$10 billion more manufactured end-products than it exported" (July 24, 1976:D11).

While this trade pattern has long been characteristic of Canada, its severity has been increasing rapidly since World War Two. Writing at the beginning of the 1960s, Aitken reflects that "since Canada became a nation in 1867, the value of Canadian-American trade has increased some eighty-fold; during the same period, total world trade has increased only about twenty times" (1961:7). Over the course of Canada's first century, the proportion of Canada's imports originating in the U.S. has increased from about one third to over two thirds and as a destination for exports of Canadian materials, it has increased from about one half to two thirds. Recently, the increasing density of Canada's trade relationship with the U.S. has continued to grow.

TABLE TWO

Canadian Trade Patterns, 1961 and 1971 (percentages)

	U.S.	U.K.	Other Commonwealth	Other	Total
EXPORTS					
1961	54.0	15.8	5.7	24.5	100%
1971	67.3	7.8	3.9	21.0	100%
IMPORTS					
1961	67.0	10.7	5.1	17.2	100%
1971	70.1	5.4	4.0	20.5	100%

(Calculated from Canada Year Book, 1973:758, Table 18.2)

But to think that little has changed in Canada's economic relations with the U.S. because there was a high degree of trading in the era from the early 1900s to World War Two, just as there is in the post-war era, is to miss the crucial way in which this 'trading' has changed. In the earlier period, it was correct to suggest a market relationship whereby capitalists

in Canada bought from and sold to capitalists in the U.S. Now 75 per cent of all 'trading' by foreign controlled companies in Canada represents intracompany transfers within one corporation which straddles the boundary between Canada and the U.S.

To quote Mitchell Sharp, then Secretary of State for External Affairs:

The Canada-U.S. relationship, as it has evolved since the end of the Second World War, is in many respects a unique phenomenon. It is by far our most important external relationship, but it is more than an external relationship. It impinges on virtually every aspect of the Canadian national interest, and thus of Canadian domestic concerns (1972:1).

As Sharp goes on to add, "The North-South pull has, of course, been a factor throughout Canadian history. At the time of Confederation, and until the 1920s, however, there were strong countervailing forces promoting an East-West bias in Canada's economic development...Over time, however, the exploitation of our mineral and forestry resources assumed more importance and these found a large and expanding market in a rapidly industrializing United States. The economic axis was gradually turning in a North-South direction" (4). As Canada shifted from this East-West to North-South axis, the nature of the resources have also been changing from the old staples of fish, fur, timber or wheat to the new staples of petroleum, minerals and pulp and paper. This has led Daniel Drache, following a long tradition of political economists in Canada who have focused on staples, to conclude that, "What we have in Canada is a hybrid or 'incomplete' form of capitalism, which might be called advanced resource capitalism, where capitalist relations are based on a very highly developed resource exploitation" (1975: 7). This has followed from Canada being both an important manufacturing market and resource source for U.S. capitalists and has led to current levels of U.S. control accounting for 58 per cent of manufacturing and 74 per cent of mining in Canada. By 1973, Canada supplied 42 per cent of the total U.S. import requirements of "bauxite, aluminum, copper, lead, nickel, tin and zinc, which together in 1973 were worth more than \$1 billion. Oil and gas exports totalled another \$2 billion" and pulp and paper another \$2.5 billion (9).

Insights into the implications of these developments for Canadians are provided by Pierre Bourgault in Innovation and the Structure of Cana-

dian Industry where he notes that,

when we examine the nature of our imports and exports, we find that we export mainly raw materials and resource-based products, while importing mostly manufactured goods, particularly those which have a high knowledge content. Our pride in being a trading nation must be tempered by the realization that we excel in the sale of those products that most developed countries want, on which they impose no tariffs, and which they use to make products for sales abroad, thus creating jobs for their citizens (1972:82-83).

Furthermore, Bourgault illustrates that Canada imports the same raw materials it exports but in "more science-intensive forms"; these are resources such as nickel, aluminum, pulp and paper, platinum, natural gas, petroleum and asbestos. This leads him to question the value of such trading patterns for Canada but leaves little doubt why foreign capitalists have found Canada such an attractive place to invest. In fact, Canada is so attractive that it has been the recipient of almost 40 per cent of all investments made abroad by multinational corporations (69).

One consequence of this pattern, as expressed in the study of Foreign Direct Investment in Canada, is that "some 90 per cent of patents issued in Canada are registered to foreign owners, of which two-thirds are owned by United States residents" (Government of Canada, 1972:118). Not only did the technological lead of the U.S. give it an important edge for entering Canada, but the effect of its branch plants has been to appropriate the means of innovation and further reinforce its strength within the productive sphere.

U.S. Ownership and 'Canadian' Capital

At the same time that more Canadian resources and manufacturing industries were becoming U.S. controlled, the actual proportion of U.S. capital being used to support these investments was falling. As the Gordon Commission reported in 1957, "The net use of foreign resources was about one-quarter in 1926-1930, compared to 6% of 1946-54; direct foreign financing fell from about one-half to one-quarter between the two periods" (97). But where was the financing coming from? Aitken (1961:199) shows that for 1959, of the total sources of funds for U.S. direct investment in Canada, 26 per cent came from the U.S., 7 per cent from outside Canadian sources, 32 per cent from depreciation and depletion allowances and 31 per cent from net income. Even by

this time, some seven tenths of the sources for U.S. direct investment expansion was coming from within Canada or was financed from Canadian operations.

To what extent were the new entrants from the U.S. 'pioneers' and to what extent were they simply taking over existing Canadian operations? A United Nations report analyses the patterns for 187 U.S. multinationals. Before 1946, it found that 29 per cent of the U.S. entries into Canada were by acquisition of existing Canadian companies. Between 1946 and 1957 this method of entry increased to 45 per cent and between 1958 and 1967 rose to 58 per cent. This, it should be noted, is much higher than all other areas (where the proportions were 24, 28 and 41 per cent, respectively, for each period) (1974:193, Table 36). In other words, relative to other places where U.S. multinationals operate, the tendency was to take over existing companies rather than forge new areas.

Combining the method of financing and the method of entry, it is evident that increasingly in the post-war period, U.S. firms were expanding, through capital obtained in Canada, operations that had already entered Canada. The result of both processes has been to rapidly increase the share of U.S. control in both resources and manufacturing.

In her Silent Surrender, Kari Levitt has made the case that dependence is characteristic of Canada's relationship with the U.S., arguing that, "In the period 1960-67, remitted profits by American subsidiaries in Canada (\$5.9 billion) exceeded new capital inflows (\$4.1 billion) by \$1.8 billion" (1970:94). Clearly, the effect of foreign direct investment, such as that characteristic of multinational corporations, is to increase dependence over time and promote the underdevelopment of the economy of the host country in the sense of draining off more capital than is initially invested.

The paradoxical position of Canada is that it is now a net exporter of capital to the U.S. while at the same time the amount of U.S. investment continues to grow, financed out of retained earnings, Canadian financial capital and profits remitted to U.S. parents. Additional remittances accrue to the U.S. from Canada; for example, between 1946 and 1968, interest payments to foreign capital amounted to \$5.085 billion and of this, 88 per cent went to the U.S. This amount has been increasing rapidly with \$500 million to the U.S. in 1968 alone and 82 per cent of all dividend payments going to

the U.S. Dividend payments to the U.S. amounted to \$10.3 billion between 1926 and 1968, of which \$7.5 billion was paid between 1950 and 1968 (Statistics Canada, 1972:94, 96). Further forms of remittances to the U.S. are professional fees, royalties, management fees, rent, research, franchise, advertising and insurance, which amounted to \$1.715 billion in 1969 alone (CALURA, 1972:39-40). Unlike earlier periods where many of the patents held by U.S. companies were used in Canada by Canadian companies, the current situation finds this almost exclusively a branch plant phenomenon. A special Statistics Canada survey found that "out of more than \$250 million paid to non-residents in respect of royalties, patents, copyrights and trademarks, management and administrative services, and franchises and similar rights, some \$240 million emanated from direct investment enterprises" (1975:81). In other words, 96 per cent of all these payments were from branch plants to their foreign parents.

By 1970, dividend payments to foreign parents were up to \$806 million, or two fifths of the branch plants' total earnings and the excess of payments over receipts of direct investment was \$473 million, reflecting both high foreign control increases and high foreign payments. Foreign investments in Canada are now so lucrative that they can both expand within Canada and export capital to their parents. "In the periods 1956 to 1958 and 1959 to 1961, when intense capital formation occurred, Canada's net use of foreign resources amounted to between one third and two fifths of net capital formation. In the next six years, however, the relative use of foreign resources was almost halved to one fifth...the relative use of foreign resources fell to 12% in the period 1968 to 1970" (Statistics Canada, 1975:72-80). Thus the issue is no longer new inflows of U.S. direct investment, for this has virtually ceased; the issue is now the expansion of foreign control purely out of retained earnings from Canadian operations and by using Canadian financial capital. More than ever, the argument that Canada is capital poor and needs foreign investment appears absurd. The point is now that Canada is becoming capital poor because it has so much foreign investment and that investment is generating dividends that are being drained back to the foreign parent.

As was suggested earlier, the nature of direct investment is such that when it matures it begins to internally generate sufficient funds

for growth and requires less new direct inflow to continue to expand. In Canada, this point was reached between 1962 and 1963 when undistributed earnings began to be greater than new capital-inflows. In the 17 years from 1946 to 1962, net capital inflow contributed \$6.4 billion to the expansion of foreign direct investment in Canada compared to \$4.4 billion through net increases of undistributed earnings (59.5 per cent capital inflow, 40.5 per cent undistributed earnings). In the next eight years, from 1963 to 1970, almost an identical amount was added from these two sources combined (\$10.8 billion from 1946 to 1962 and \$10.6 billion from 1963 to 1970) but the relative contribution of the two factors reverses. In the more recent period, net capital inflows contribute 44.4 per cent while undistributed earnings account for 55.6 per cent (calculated from Statistics Canada, 1975:115, Table 15).

These calculations do not take into account earnings flowing back to parent companies, which illustrates a similar trend, or borrowing within Canada that add to foreign controlled direct investment. Of the total U.S. controlled investment of \$27.7 billion in 1970, \$3.46 billion was owned by Canadians in the form of debt, \$2.37 billion by Canadians through equity, \$.467 billion by other non-residents and \$19.28 billion by U.S. controlled Canadian corporations. Thus, Canadian investors, either through debt or equity, had committed some \$5.8 billion to U.S. controlled companies. This is Canadian capital's share (some 21 per cent) in U.S. direct investment (see Statistics Canada, 1975:132, Table 22). It suggests, as will be argued later in detail, that there is a form of alliance or partnership between the dominant fractions of Canadian and U.S. capital in their management of the continental economy.

Changes in the Profile of U.S. Investment in Canada

The major changes in the profile of U.S. direct investment in Canada by sector between 1926 and 1970 shows a steady proportion directed to finance (hovering around 6 to 8 per cent) and a similar steady pattern in merchandising (hovering around 6 per cent). A sharp decline has occurred in utilities, particularly during the 1950s, after peaking at over 20 per cent of the total before World War Two and subsequently declining to about 2 per cent by 1960. There has been a steady slight upward trend from 10

to 13 per cent going to mining and smelting. But the major change is in the petroleum and natural gas sector which had risen from 6 to 7 per cent before World War Two to 25 per cent, where it has remained in the post-war period. Again, the war is the break-point in overall manufacturing from almost 60 per cent to a steady post-war 43 per cent. Within manufacturing, there has been a steady decline in wood and paper from a high of 13 per cent in 1926 to a low of 8 per cent in 1970 (based on Statistics Canada, 1975:116-117, Table 16). This relative decline in the proportion of U.S. direct investment going to manufacturing is a result of the increasing importance of petroleum and natural gas in the later period. In other areas of the world, the proportion of U.S. direct investment going to manufacturing has been increasing from 33 per cent to 40 per cent since World War Two but Canada remains behind Europe in terms of the proportion of foreign investment devoted to manufacturing with Canada's 43 per cent comparing to Europe's 55 per cent but well ahead of Latin America (24 per cent), Africa (14 per cent) and Asia (18 per cent). Thus Canada's place in the world view of U.S. multinationals is as both a market and raw material source, while other areas tend to be specialized in one or the other, thus confirming the argument earlier that Canada has a dual role within the U.S. sphere of influence.

The following table provides a long term view of U.S. control in non-financial industries in Canada.

TABLE THREE
U.S. Control of Non-Financial Canadian Industries
1926-1970 (Selected Years)

SECTOR	(in percentages)								
	1926	1930	1939	1948	1954a*	1954b*	1960	1965	1970
Manufacturing	30	31	32	39	45	41	44	46	47
Petroleum & Gas	--	--	--	--	--	67	64	58	61
Mining & Smelting	32	42	38	37	54	49	53	52	59
Railways	3	3	3	3	2	2	2	2	2
Other Utilities	20	29	26	24	24	24	26	27	28

*Petroleum and natural gas not available separately before 1954.

(Source: calculated from Statistics Canada, 1975:144-145, Table 28)

The steady pattern of controlling an increasing share in manufacturing in both resource sectors (petroleum and natural gas and mining and smelting) is readily apparent, while much lower levels of control in transportation and utilities is also evident. If pipelines were not included in utilities, the proportions there would be even lower.

Placing this pattern of U.S. control within the context of all non-financial industries in Canada, as in the following table, highlights the prominence of U.S. control in manufacturing and resources and the lesser place of private Canadian interests and other foreign interests in these sectors.⁵ What this table does not suggest, but Appendix I illustrates clearly, is that the proportion of foreign control expressed in terms of assets is considerably lower than the proportion of profits. In other words, foreign investment in the mining and manufacturing sectors is much more profitable than Canadian ownership in these same areas.

TABLE FOUR
Control of Non-Financial Industries in Canada, 1972

SECTOR	CANADA		(in percentages)		TOTAL
	Gov't	Private	U.S.	OTHER	
				FOREIGN	
Manufacturing	2	37	47	14	100%
Petroleum & Gas	2	22	61	15	100%
Mining & Smelting	1	29	59	11	100%
Railways	73	25	2	—	100%
Other Utilities	69	24	4	3	100%
Merchandising & Construc-					
tion	1	87	8	4	100%
Total	22	42	28	8	100%

(Calculated from Statistics Canada, 1975:146-147, Table 29)

While foreign interests controlled 65 per cent of the mining assets in 1972, these assets generated 69 per cent of the sales and 73 per cent of the profits. In manufacturing as a whole, foreign interests had 56 per cent of the

⁵ A detailed breakdown of these patterns is provided in Appendices I and II in terms of proportion of ownership and control of assets, sales and profits. There are major differences depending on the indicator used. For example, U.S. manufacturers in Canada employ 30 per cent of the people but represent 60 per cent of control in assets (Statistics Canada, 1972:214). This illustrates that U.S. manufactures are much more capital intensive and tend to create fewer jobs than Canadian capital.

assets and sales but 65 per cent of the profits in 1972. Furthermore, the low levels of foreign ownership in all utilities, wholesale and retail trade and finance sectors, is illustrated in Appendix I but not evident in the above table. This confirms the historical division of labour between Canadian dominance in circulation and service and foreign dominance in production discussed in earlier chapters.

A final table on the aggregate outlook of the difference between capital controlled and owned in Canada and the U.S. reveals further important differences in the activities of the capitalists controlling this capital. Canadian interests own more than they control in manufacturing, mining and smelting, and especially petroleum and natural gas, where they own 43 per cent but control only 25 per cent. On the other hand, they control more than they own in railways and other utilities.

TABLE FIVE

Relative Distribution of Ownership and Control of
Capital Employed* in Canadian Non-Financial Industries, 1972

SECTOR	Total Capital (\$ billions)	PER CENT OF CAPITAL					
		Owned			Controlled		
		Can.	U.S.	Other	Can.	U.S.	Other
Manufacturing	28.4	47	44	9	42	43	15
Petroleum & Gas	15.0	43	46	11	25	58	17
Mining & Smelting	7.8	44	46	10	42	47	11
Railways	6.0	85	7	8	98	2	--
Other Utilities	25.9	81	16	3	92	5	3
Total Non-financial	105.0	66	27	7	65	26	9

*Based on book value of long term debt and equity (including retained earnings) employed in enterprises in Canada.

(Source: Statistics Canada, 1975:65, Statement 23)

Thus, two contrary trends are amalgamated in the total figures for all non-financial industries. The differences reflect the different types of capital used by Canadian and U.S. capitalists in various sectors and the relative strength these types of capital give these capitalists in terms of their ability to control. For example, in rubber manufacturing, Canadians supplied 31 per cent but controlled only one per cent of total capital employed. In the aluminum industry, Canadians invested 24 per cent in contrast to 100 per cent foreign control; in chemicals, Canadians

invested 34 per cent but controlled only 19 per cent; in petroleum, 39 per cent of capital and 24 per cent control; in mining, 41 per cent of capital and 30 per cent control; in smelting and refining, 53 per cent Canadian capital and 33 per cent control (Statistics Canada, 1975:68). Thus the problem is not simply one of the availability of capital but the use to which this capital is put. In capital terms, the difference is one of Canadian capitalists' orientation to portfolio investment and U.S. capitalists to direct investment. In organizational terms, the difference is between building branch plants and supplying the capital to do this building. In terms of sectors invested in, the expression is of U.S. capitalists in manufacturing and resources and Canadian capitalists in finance, transportation and utilities.

The most recent data available on foreign direct investment in Canada only reaffirm the patterns outlined here.⁶ At the end of 1973, the amount of foreign direct investment climbed to \$32.8 billion, increasing eleven per cent over the previous year compared to increases of six per cent in the two previous ones. This represented an expansion in one year of \$3.3 billion but only \$725 million, or 22 per cent of this came from direct investment inflows, the rest accounted for by retained earnings and capital borrowed in Canada. As has been the pattern in the past, the U.S. accounted for 79 per cent of all foreign direct investment in Canada at the end of 1973 (Infomat, September 5, 1975:3).

It is important to recognize that while parts of a system may be dependent on external capitalists, not all parts are necessarily externally dependent. Nor is it necessary that all the various parts are in conflict; it may be that some are in conflict while others are in alliance. In terms of the three fractions of the capitalist class outlined earlier, their relations with one another can be understood in terms of their place in this continental system. The dominant indigenous elite has entered into an alliance with the dominant comprador elite (and thereby with the

⁶ Government statistics on corporations and foreign investment in Canada are generally three to five years out of date by the time they are released. The Canadian government is not renowned for either gathering detailed data on these subjects or making these data available.

foreign elite controlling parent companies) because each operates in relatively distinct and complementary economic activities, the former in finance, transportation and utilities and the latter in manufacturing and resources. Even when the dominant indigenous elite does enter those latter sectors, it has done so in components of these sectors which have been long established in Canada and again relatively distinct from foreign controlled activities. The most significant examples of this being food and beverages and pulp and paper. However, the middle range indigenous national capitalists that are mainly in manufacturing are much weaker (in both market and capital access) than either of the other two fractions and often in direct conflict with these other fractions. It is this fraction which is frequently forced to 'sell out' and join the ranks of the comprador elite. As has been shown, historically the weak position of the middle range national capitalist class is not totally divorced from the dominant position of the indigenous elite in finance, transportation and utilities.

Once again, it is crucial to place this investment within its economic sector. When the analysis became sector specific, it is evident that the fraction of the capitalist class in Canada most directly affected is the middle range indigenous part centred in manufacturing.⁷ In 1967, U.S. direct investment in Canada was concentrated in manufacturing (44 per cent) and resources (39 per cent) with very little flowing into other sectors (finance 8 per cent, trade 5 per cent and utilities 2 per cent) (Statistics Canada, 1971:31). While these figures (and those presented above) illustrate the relative direction of U.S. direct investment and multinational activity in Canada by sector, they do not compare the relative volume with Canadian controlled investment. This can be done by comparing the net change in book value of investments in Canada for the 13 years ending in 1967 (the most recent period for which this data is available). In manufacturing, U.S. controlled branches have added \$5.9 billion compared to \$4.7 billion by Canadian controlled companies; in resources, the U.S. has added \$6.2 billion to Canada's \$2.6 billion. On the other hand, in rail-

⁷ In the resource sector there is little conflict with the middle range indigenous capitalist because a significant indigenous class was never allowed to develop in this sector. For example, 99.5 per cent of the assets and 98.9 per cent of the sales in petroleum and coal products are foreign controlled.

ways there has been no U.S. addition but \$1.4 billion by Canadians; in utilities, \$0.3 billion U.S. and \$10.6 billion Canadian; in merchandising and construction, \$0.6 billion U.S. and \$7.2 billion Canadian (Statistics Canada, 1971:54). This illustrates that the pattern of underdevelopment that has occurred in Canada in the post-war period as a result of U.S. branch plants has remained sector specific, flowing into manufacturing and resource sectors but with limited participation outside these areas.

A Note: Canada's Coming of Age Industrially

It is difficult to pin down precisely the period when Canada came of age industrially. Some may even argue that because of the extensive amount of foreign control in its industries that it still has not reached that point. But examined in terms of the social structure, standard of living, and output, Canada is an industrial society even if it has a strong resource and financial bias. Illustrating the confusion of identifying the period of industrialization, O.J. Firestone says, "If the criterion of industrialization is the proportion of national income derived from manufacturing then Canada became more industrial than agricultural during World War I. If the definition is extended to cover employment, then Canada's industrial coming-of-age is very recent dating back only to the early years of World War II" (1958:182). It may be argued that the basis for an industrial society was established prior to the beginning of the Second World War, but the major transformations projecting Canada's social structure into its present form did not take place until the war.

Using the proportion of the labour force in agriculture as an indicator, the recent shift is readily apparent. From 26 per cent of the labour force in 1941, the proportion employed in agriculture fell to 16 per cent by 1951, to 10 per cent by 1961 and 6 per cent by 1971. On the other hand, the evidence is that the decline in agriculture did not produce a corresponding rise in the proportion of the labour force employed in secondary production. For the crucial period 1946 to 1963, the proportion in primary goods production fell from 29 per cent to 13 per cent, as would be expected with the decline in agriculture. However, the proportion in secondary production increased only slightly from 31 to 32 per cent in the

the same period. The largest share of the increase was absorbed by the service sector, rising from 40 to 55 per cent, with the lion's share of this going to trade, finance, insurance, real estate and 'other' services. What has been clear in this shift is an increase in the proportion of the labour force employed as paid workers as opposed to self-employed. In 1956, 79 per cent of the workers in Canada were paid workers but by 1972, 88 per cent were in this category. There was a corresponding decline from 12 to 6 per cent of those working for themselves and a decline from 6 to 4 per cent of those who are employers (Porter, 1967:92-93; Canada Year Book 1973, 1974:124-125).

Thus Canada is no longer an agrarian society but neither is it particularly oriented to a secondary production. Rather, as Canada industrialized it tended to expand in the service sectors of the economy. At the same time, there has been a bureaucratization of labour with the decline in self-employed workers and even in those who are employers. This pattern in the occupational structure of Canadian society reflects Canada's economic development. There was not a clear progression from primary to secondary to tertiary activities in Canada, such as that occurring in the U.S. In Canada the economy changed from primary to tertiary without developing the area of secondary production. This again reflects the uneven nature of Canada's development and the effects of external control.

CHAPTER FIVE

Multinational Corporations from the U.S. and Canada

Placing the relationship between Canada and the U.S. in the broader context of their respective relations with the world system provides a greater understanding of their differences and similarities as recipients and sources of foreign direct investment. It also permits an analysis of Canada's ambiguous role in the international economy, both as a go-between and as a direct participant. This then helps to place U.S. investment in Canada within a larger perspective. In particular, it indicates how Canada differs from other areas that are also on the receiving end of foreign direct investment.

A thorough analysis of these relations is beyond the scope of this study but even this limited excursus provides some broader insights into this complex issue and sheds some light on the peculiarities of Canada's relationship with the U.S. The areas to be analysed here include the structure and operation of multinational corporations generally, a profile of U.S. foreign investment, an examination of foreign investment within the U.S. and an analysis of Canadian foreign investment. As will be shown, U.S. investment affects not only Canada's internal relations, but those with other nations as well. The repercussions of the U.S. economy in Canada are indeed far reaching.

Multinational Corporations and Class Fractions

Since about 200 of the estimated 300 world corporations defined as 'multinational' are U.S. based, it is more appropriate to analyse them as "national enterprises with multinational operations" (Government of Canada, 1972:52, 56). Although a variety of definitions are available, the one adopted in Foreign Direct Investment in Canada is as comprehensive as any; a multinational corporation is "the embodiment of foreign direct investment by a single business enterprise which straddles several economies (a minimum of four or five) and divides its global activities between different countries with a view to realizing overall corporate objectives" (Government of Canada, 1972:51). As implied in the definition, multinationals use a world division of labour which gives them flexibility and, generally, their enormous size "gives them great economic power to rationalize produc-

tion and resource extraction throughout the world in favour of their national base. This requires centralized control over the activities of subsidiaries and decision making based on assessments of overall profit maximization.¹

Corporate strategy in multinationals is established by 'centre' elites at headquarters and carried out by 'periphery' elites who manage the affairs of branch plants within these designated limits. Profitability is gauged within the broad time and space perspectives set by the parent and not in terms of particular local interests. Vertically linked subsidiaries are valued in terms of their contribution to the total production process by supplying raw materials, while horizontally linked subsidiaries are important to the extent that they add to the overall profit of the parent through production and sales. In organizational terms this means vertically linked operations must match the production specifications established by the parent and closely coordinate their activities, while horizontally linked subsidiaries may be allowed greater flexibility as long as profits are maximized. In either case, it is the parent which establishes policy specifications under which they must operate. Integration can take many forms and the degree of management flexibility is variable but, as Behrman points out, centralization is operationalized by "establishment of a hierarchy of abilities to commit the company to capital expenditures" where large expenditures or those departing from established policy must be approved at the level of the parent's board of directors (1969:85).

The issue of management flexibility by branch plants was addressed in a study of subsidiary companies in Canada presented in the Watkins Report. It found that,

in 20 per cent of the subsidiaries there was very substantial decentralization of decision-making with respect to both operations and policies with the parent's

¹ This same Foreign Direct Investment in Canada study goes on to say, "size and consequent financial strength, together with flexibility, confer great economic power on the MNE [multinational enterprise]. It can often negotiate more favourable terms of entry to a country than any other investor. It can switch production from an affiliate in one country to an affiliate in another. It can more readily circumvent local monetary and fiscal policy. It may be able to mobilize home government support if threatened. It is this power which makes the MNE a challenge for governments, not only of small countries but of larger ones as well" (1972:56). The only difficulty with this commentary is that it reifies multinationals and does not go behind the organization to the classes and people who control them.

direct influence largely felt through its representation on the Canadian board. In another 20 per cent, policy determination was highly centralized with varying degrees of operational freedom. The remaining 60 per cent represented cases where there was a high degree of operational decentralization, and with the officers of the subsidiary playing a role in policy determination, particularly in initiating changes, though final authority lay elsewhere. Where major policy changes were involved, however, the officers of the parent company had to be consulted (1970:192-193, emphasis added).

The authors of the report go on to specify that in essentially all cases where major policies were to be altered or where major expenditures were involved or where senior appointments in the subsidiaries executive were to be made, then the officers of the parent company become involved. However, in areas like production, marketing and labour, there tended to be more decentralization.

A recent case, reported by Larry Pratt, illustrates in some detail the degree of autonomy 'enjoyed' by Imperial Oil, the Canadian subsidiary of Exxon Corporation. This is a particularly important case because it provides an unusual inside examination of a key multinational and because of the importance of oil companies in the world system. While it is not possible to provide all of the details here, some of the evidence is most telling. The particular case involves a law suit by Nova Scotia Power Corporation (NSPC) against Imperial concerning their oil supplying agreement filed with a Nova Scotia Supreme Court justice:

While the case centred primarily on the issue of whether Imperial was entitled to pass on to its customer, the power board [NSPC], the burden of tax increases imposed in Venezuela, the evidence revealed much about the way Exxon directly involves itself in Imperial's pricing and crude purchasing policies. 'The judges found,' Oilweek reported, 'that Imperial does not have independence of action in deciding where its crude supplies come from or an ability to bargain directly with the supplier. This function is carried out by the planning and analysis group of Exxon International in New York.' Imperial has no representation among this small group, thus the company cannot control its own source of crude supply. 'The ultimate decisions rested with Exxon Corporation,' concluded Justice L.S. Hart (Pratt, 1976:121-122).

Pratt goes on to examine further evidence and concludes that it "effectively lays to rest the lingering myth of Imperial's autonomy; neither it, nor any other foreign-controlled oil company operating in Canada, enjoys independence of action, particularly in areas such as the tar sands where billions of dollars are at stake." Major decisions, decisions that have society wide effects, are decisions taken by the headquarters of multinationals, not by those hired to run their affairs in branch plants.

The means of control adopted by multinationals was greatly facilitated by rapid changes in communication and transportation technology in the 1950s and 1960s. 'Distances' and lines of control were encapsulated, thus increasing the ability of centre elites to command branches around the world. Combined with management techniques adapted to the new technologies and the demands of world wide operations, new organizational systems were developed.²

One such company, Alcan Aluminum, a Montreal based multinational, serves as an example of multinational organization and planning. Alcan has 42 per cent of its assets outside Canada and operates subsidiaries in 33 countries. The company is controlled by a five-man 'Group Executive Committee' which organizes the company's control of half the 'free world's' aluminum production and sales. It coordinates mining of bauxite in the Caribbean, its smelting in Canada and Norway where hydro electricity is cheaply available, its fabrication and finally, sales throughout the world. All operations are overarched by the finance department; according to its 1974 Annual Report, "Alcan's operations are interlinked on an international basis because of the geographical dispersion of raw materials, economic energy sources and ultimate markets for fabricated and primary aluminum. Strategic, logistical and financial planning are, therefore, centralized

² Technology and rapid communications means that fewer decisions need to be made 'on the spot', thus providing the conditions whereby local people, uninvolved in policy making, can be recruited to carry out orders and fewer people have to be sent from the parent. As Perry points out in his study of Galt, USA: "There are, in fact, very few Americans in Galt; fewer who bear high titles in the American-owned companies. Canadians hold most of the senior jobs. Rather, the American presence takes the form of sheafs of policy and operating instructions, report forms, engineering manuals, patent-use contracts and technical-aid agreements" (1971:27). This pattern will be examined at the elite level for Canada in later chapters.

at corporate headquarters in Montreal but direction of current operations, market development and preliminary planning are largely decentralized" (1975:8). Each of these activities is supervised by an executive vice-president who, in turn, accounts to the president. Various national subsidiaries account to general managers who report to Montreal.

Some plants are organized to serve local markets while some serve regions, as in the case of the German branch serving continental Europe. In 1974, only 15 per cent of sales were in Canada, 27 per cent in the U.S., 17 per cent in the U.K., 13 per cent in other European Economic Community countries and 28 per cent elsewhere. Thus, there is wide distribution of sales. Similar diversity occurs for sources of raw materials. In 1974, 38 per cent of its alumina came from Canada using bauxite produced in Guinea and Guyana, 36 per cent from Alcan Jamaica, 15 per cent from Australia and 11 per cent was purchased. Alcan's organization is in terms of ability to control operations and supply markets, not in terms of political divisions.

Although area managers meet regularly in Montreal to offer suggestions and make reports, final decisions are based on overall corporate performance and made by the five executive members. "At Alcan all major projects, whether entirely new, such as the British smelter, or already allowed for in the forward plans, have to receive an individual appropriation from Montreal." Prices are all established by Montreal, as is the rate of return expected from subsidiaries. "Within the parameters established by head office Alcan's managers have considerable freedom of action to run their own affairs" but with the tight financial controls, price setting and control over investment, little autonomy remains (see Tugendhat, 1972:96-103; United Nations, 1974: 147-149; Alcan Annual Report for 1974).³ Multinationals are capable of decentralization of operations necessary to meet local conditions but necessarily maintain centralized control of policy making and centralized profit taking, with profits from all operations flowing back to the parent for allocation at its board's discretion.

This organizational structure affords multinationals many advantages

³The multinational ownership structure of Alcan and INCO will be examined in detail in the following chapter.

particularly over national corporations and governments.⁴ In addition to control and development of advanced technology protected by licenses and royalties, they have great power over sources of expansion capital, both internally generated and from a variety of credit sources both at home and in their countries of operation because of their stability, an asset often unavailable to local companies. They also have great market power, operating in non-competitive situations and buying and selling in a variety of markets. With great capital reserves, it can shift investments and operations to "take advantage of new technology, marginal changes in transportation costs, wages, taxes or population movements, with no consideration of the human havoc that such moves create" (Gonick, 1971:143). Operating in several areas allows multinationals to integrate markets and produce 'distinctive' products or exploit natural resources on a large scale thus both controlling markets and raw material sources.

Flexibility and resources also allow multinationals to plan on larger scales and over greater time horizons than national corporations. For example, Standard Oil of New Jersey is projecting operations into the 1990s and a group of 100 corporations have commissioned the Hudson Institute to study the "future corporate environment" for 1975-1985 (Government of Canada, 1972:56). This is in contrast to politicians who must conceptualize their futures in much shorter perspectives; that is, by a term of office in liberal democracies. Multinationals may also avoid taxes or other government measures by shifting to various countries or by threatening to do so. International capitalism is the multinational's greatest defence against adverse local conditions and it can use this advantage to counter regulatory powers of governments, whether at home or abroad.

⁴ In his study of Falconbridge, a Canadian based multinational, John Deverell illustrates the variety of governments this company has done business with: "Falconbridge and subsidiaries have co-existed with a wide range of political philosophy in government, from Canada's liberal democracy to the Dominican Republic's militarized pseudo-democracy, Amin's military dictatorship in Uganda, and the apartheid regimes of Rhodesia, South Africa and Namibia...What all these societies, including Canada, have in common is considerable freedom for private capital, and this is a political principle about which the corporate managers and owners care a great deal" (1975: 177-178).

Although there is frequently a hybrid management at the subsidiary level, composed of both nationals and representatives from the parent (with both groups selected by the parent board), there is seldom much 'foreign content' within the parent, as later chapters will show. There are two unequal sets of management, one from the parent company and the other national, representing local executives and other outsiders deemed important. As has been suggested earlier, national corporations do not internationalize their managements but they do denationalize a part of the national elite. However, the effect of drawing local elites into the international system "helps to bolster the strength of certain local elite groups and is usually seen as a threat to the strength of others" (Vernon:1971:194). To the extent the presence of foreign multinationals displaces members of the local elite, they often aspire, according to Vernon, "to control the government apparatus rather than to be modern businessmen, technicians, and managers" (196).

Therefore, the presence of outside control, as expressed in multinational branch plants, has several effects on the nature of local elites. Part will be drawn directly into the international system by working for these branches, part will be drawn into an alliance with international business because of their association with international capital, although not working directly for them, and another segment will be either displaced from existing local operations or prevented from developing these activities because the 'space' is foreign controlled.

Among those who run multinationals, there is a sense of unity, of common purpose, that binds them together against their critics. The following account is simply one instance of this:

David Rockefeller called on the business community in Britain and elsewhere yesterday for a united effort in refuting what he termed 'the proliferating critics' of multinational corporations.

The chairman of the Chase Manhattan Corporation, said in an address at the stock exchange in Manchester, England, that 'We should be doing all in our power to lift the siege that is taking shape around the beleaguered multinational companies.'

He terms the multinationals 'the most important instruments in the unprecedented expansion that has taken place in world trade.' (New York Times, April 23, 1975:55)

It is not simply on the ideological level that multinationals are binding together. The Orion Bank, formed in 1970, is the most impressive example of multinationals themselves entering into joint ventures. It operates in more than 100 countries and its six members are the leading edge of the international financial community: Chase Manhattan (third largest in the U.S.), Royal Bank of Canada (Canada's largest), National Westminster Bank (Britain's second largest), Westdeutsche Landesbank (Germany's second largest), Credito Italiano (Italy's fourth largest) and Mitsubishi Bank (Japan's fourth largest) have all banded together. With this conglomeration of financial resources, the Orion is able to support other multinationals. For example, in 1971, Canadian controlled "Massey-Ferguson wanted to raise \$25 million in Eurocurrencies at a time of general credit squeeze and slow trading in the agricultural industry. Rather than go around the market for a million here and a million there, Orion decided to handle the entire deal itself. Old correspondent ties between Chase and Royal and between Royal and National Westminster led to the formation of Orion" (Fortune, June 1972:103).

While international capitalism may be as old as capitalism itself, it has taken on a new quality with the multinational corporation. Portfolio investment was characteristic of formal colonies where there was open trade of the products of the imperial centre in the colonies and where portfolio investment, typically guaranteed by the colonial government, was used to create the economic substructure of the area--particularly canals, roads, railways, utilities and similar services. Direct investment, the capital expression of multinationals, however, is more characteristic of informal empires where dealings are not mediated by the government of the country being invested in and where tariff walls have been erected either for revenue or to encourage on-site plants or the direct extraction of resources. Markets are insured by actually directly entering them, that is, in economic rather than political terms.

While direct investment and multinationals are now characteristic of all capitalist societies, the relative power is not evenly distributed. According to a United Nations report, Multinational Corporations in World Development, using data for 1971, the U.S. held 52 per cent of the stock of foreign direct investment, followed by the U.K. (14.5 per cent), France

(5.8 per cent), Germany (4.4 per cent), Switzerland (4.1 per cent) and Canada (3.6 per cent). However, part of the Canadian direct investment, as will be demonstrated shortly, is go-between, as may be part of the others thus underestimating the actual control held in the U.S. Below Canada in terms of world distribution of direct investment sources are Japan (2.7 per cent), Netherlands (2.2 per cent), Sweden (2.1 per cent), Italy (2.0 per cent) and Belgium (2.0 per cent) while together all other countries account for well under five per cent (1974:151, Table 5). Similar results occur when the 650 largest industrials are examined by country, except that Japan moves from seventh to second place. The U.S. alone has 358 of the largest 650, accounting for 55 per cent. Canada has 17 (2.6 per cent) and is sixth on the list (140, Table 1).

Within these countries, the source of foreign direct investment is highly concentrated in a few of the largest firms. It is to an analysis of U.S. foreign investments held by its dominant companies that the focus of this study will now be turned, keeping in mind that this one country alone is the centre for over half the world's multinationals.

A Profile of U.S. Expansion

When examining U.S. corporate interests outside the country it is not necessary to examine the entire U.S. social structure or even the entire economy since only select corporations and select sets of individuals control U.S. foreign direct investment. Multinational corporations, particularly U.S. multinationals, are predominantly from the largest domestic corporations and a small number accounts for most of the capital abroad. As Johnson points out, "Only forty-five U.S. corporations each with investments in excess of one hundred million dollars account for 57 per cent of all American foreign investment. One hundred and sixty-three firms account for 80 per cent of all foreign investment" (1972:93).

To put U.S. foreign investment in some perspective, it should be recognized, as was argued in the historical chapter, that foreign investment flowing from the U.S. is directly related to the growth of the U.S. economy. As the U.S. economy grew, so did its foreign investments. Myra

Wilkins⁵ points out that the proportion of U.S. direct investment to total GNP in the U.S. in 1914 was the same as it was in 1966, 7 per cent in both (although the proportion had dropped between 1929 and 1946). However, both the GNP and amount of foreign direct investment increased twenty times over that time (1970:201-202). It is primarily the size of the U.S. economy and the enormous growth in this size that accounts for increases in U.S. direct investment. The most recent period has, however, seen an increase in the proportion of direct investment compared to the GNP since it was 8 per cent by 1970, with direct investment rising faster than the domestic U.S. economy between 1955 and 1970 (Wilkins, 1974:374-375).

The best source of data on U.S. multinationals is the impressive Harvard Multinational Enterprise Project which has been in progress for ten years now and has been the basis for several books and theses (see Vernon, 1971:7-11; Vaupel and Curhan, 1973:2). However, it focuses exclusively on industrial corporations and multinationals so it does not place them within the context of other economic sectors or non-multinationals. There are, obviously, great differences in the extent to which U.S. corporations are multinational. Size has already been discussed as a criterion affecting this. Economic sector is another, as the following table will show.

TABLE SIX

Proportion of 194 U.S. Dominant Corporations*
That are Multinational** by Economic Sector, 1974

SECTOR	NUMBER DOMINANT	NUMBER MULTINATIONAL	PER CENT MULTINATIONAL
<u>Finance</u>			
Banks	20	17	85
Life Insurance	9	3	33
Other Finance	6	2	33
TOTAL FINANCE	35	22	63%
<u>Trade</u>	10	5	50%

⁵The most detailed and informed analysis of U.S. multinationals is the two-volume work of Myra Wilkins: The Emergence of the Multinational Enterprise (1970) and The Maturing of Multinational Enterprise (1974).

<u>Transportation</u>			
Railways	8	0	0
Airlines	7	0	0
Other	<u>2</u>	<u>1</u>	<u>50</u>
TOTAL TRANSPORTATION	17	1	6%
<u>Utilities</u>			
	16	2	13%
<u>Resources</u>			
Metal mining	2	2	100
Oil & Gas extraction	<u>11</u>	<u>11</u>	<u>100</u>
TOTAL RESOURCES	13	13	100%
<u>Manufacturing</u>			
Food	9	9	100
Beverages	2	2	100
Tobacco	3	2	66
Textiles	1	1	100
Apparel	1	1	100
Paper & Wood	7	4	57
Chemicals	9	9	100
Petroleum Refining	9	9	100
Rubber	5	5	100
Pharmaceuticals	4	4	100
Soap & Cosmetics	2	2	100
Glass, Cement & Concrete	2	2	100
Metal Manufacturing	14	7	50
Metal Products	3	3	100
Appliances	5	5	100
Measuring, Scientific	2	2	100
Motor Vehicles & Parts	5	5	100
Aircraft & Parts	7	4	57
Farm & Industrial Machinery	4	4	100
Office Machinery	5	5	100
Other Machinery	<u>4</u>	<u>3</u>	<u>75</u>
TOTAL MANUFACTURING	103	88	85%
<u>TOTAL OF ALL</u>	194	131	68%

*The basis for selecting these 194 dominant corporations will be discussed in the following chapter. See Appendix V.

**Multinational is defined as operating in five or more countries and/or having over one fifth of deposits foreign.

(Sources: various Moody's Manuals, company reports and Fortune.)

Over two thirds of all 194 dominant corporations are multinational⁶ but most of these are concentrated in manufacturing (with 85 per cent multinationals),

⁶In the next chapter the continental operations of dominant U.S. corporations will be contrasted with the multinational operations presented here.

resources (with 100 per cent) and banks (with 85 per cent). Half the dominant trade companies are multinational, as are a third of the life insurance and other finance companies, but only 13 per cent of utilities and 6 per cent of the transportation companies.

Of the 20 dominant commercial banks, 17 are multinational and the three non-multinationals are the smallest of the 20. In other words, the top 17 U.S. banks are all multinational. This enormous expansion of multinational banks took place mainly in the decade of the 1960s. While there were only 124 branches of U.S. banks outside the country in 1960 (only 19 of these in Europe), by 1969 there were 460 foreign branches with the main expansion occurring in Europe (which had risen to 103) (Magdoff, 1969:74-75; Wolff, 1971:21). While from 1953 to 1962, between \$1.3 and \$2.0 billion in assets of the U.S. banks were outside the U.S., in 1965 this increased to \$7.2 billion and by 1968 had reached \$16 billion (Wolff, 1971:21). Even though there has been an increase in the number of bank branches in Europe, in 1961 over three quarters of the foreign branches were still located in non-industrial societies outside Europe. Canada is one of the few areas where foreign banks are restricted and it has only one U.S. bank, the Mercantile Bank. Latin America accounts for about one half of the U.S. foreign branches in every year from 1918 to 1969. Among the banks, Citibank stands as the most powerful multinational. In 1974, it had 252 overseas branches in 74 countries, while the next is Bank of America with 105 branches in 44 countries. Alone, Citibank has 40 per cent of all the U.S. banks' foreign installations, makes 45 per cent of its loans abroad and makes 62 per cent of its profits outside the country (Röse, 1975:108). In contrast to the banks, only three of nine dominant U.S. life insurance companies and two of six other dominant finance companies can be considered multinational.

The other sector with increasing multinational importance is the trade sector. In fact, during the 1960s, trade accounted for almost the same proportion of new foreign investment as the mining sector, both well behind manufacturing and petroleum. While F.W. Woolworth's has long been multinational, Sears, Roebuck, the largest U.S. retailer, did not become multinational until the 1960s, the same time Safeway expanded. Still half the largest retailers are not multinational (see Wilkins, 1974:392-393). Both

the transportation and utilities sectors remain essentially national corporations. The only multinational transportation company is Greyhound and the only two multinationals in utilities are Tenneco and El Paso Natural Gas. All the other thirty dominant companies in transportation and utilities are national corporations.

The fact that all the dominant companies in the resource sector are multinational should come as no surprise.⁷ In fact, many of the multinational operations of companies that are manufacturing companies in the U.S. are resource companies to the rest of the world, changing sectors as they move abroad in search of natural resources to feed their manufacturing needs. For the most part, the search for raw materials of U.S. multinationals has taken place in Canada, Latin America and, to a lesser extent, in Africa and Asia. In 1964, for example, mining and smelting operations in Canada accounted for \$1.7 billion, Latin America \$1.1 billion and Africa \$0.4 billion of a total of \$3.6 billion U.S. direct investment in this sector, thus accounting for over 90 per cent of the U.S. foreign investment in this sector (see Jalee, 1969:124; Magdoff, 1969:194).

The only aspect of manufacturing that stands out in terms of multinational operations is the very few companies that are not multinational (only 15 of 103 dominants). Of these, three are in the aircraft and parts sector, reflecting the national character of airlines, seven are in metal manufacturing mainly reflecting the national character of the steel industry (although all but one of these 14 companies have Canadian operations, mainly in the resource sector), and finally, three are in the pulp and wood sector (again all having Canadian operations).

Generally, the multinational outlook of U.S. dominant companies is pervasive but there are marked differences by sector. For most of the multinationals, the U.S. is their main base of operation but for 18 dominant companies, foreign operations accounted for about half or more of their income

⁷ Resource companies were the first U.S. companies to become multinational. At the turn of the century, about 60 per cent of U.S. direct investment abroad was in resources and only 15 per cent in manufacturing. By the 1970s, 42 per cent was in manufacturing and 36 per cent in resources (see Government of Canada, 1972:52).

in 1973 (see Fortune, November 1974:175). The two traditional main pushes for U.S. direct investment abroad have been, first, resources designed to be linked with the industrial requirements for production and consumption within the U.S. and second, market expansion to be linked with outlets for the production of U.S. industries. Only recently have 'service' types of foreign activities become prominent, often to complement U.S. business abroad, to search out profitable capital outlets or, in the case of trade, for expanded retail markets.

As was suggested earlier, the post-war expansion of U.S. direct investment has been great, rising from \$7.2 billion in 1949 to over \$25 billion by 1957 and \$60 billion by 1967. This post-war expansion saw an increasing proportion of investment committed to industrial sectors of the economy while maintaining high levels of resource investment. Industrialized nations had a much greater proportion of U.S. direct investment in manufacturing than did underdeveloped areas, reflecting attempts by U.S. multinationals to tap these markets. Corresponding to the shift toward manufacturing has been the relative shift of direct investment away from Latin America toward Europe, with Canada's proportion remaining fairly stable. While in 1949, 43 per cent of U.S. direct investment was in Latin America, this dropped steadily to 17 per cent by 1967. On the other side, Europe picked up the difference with only 14 per cent in 1949, increasing to 30 per cent by 1967 while Canada ranged between 31 and 35 per cent for the period. Europe's share of manufacturing increased from 24 per cent in 1950 to 40 per cent by 1966. However, Canada remains the single most important country as an outlet for U.S. direct investment and receives the lion's share in virtually all sectors, as the following table illustrates. Once again, there is a pattern of Canada being high on all sectors while advanced nations are high on manufacturing and low on resources and underdeveloped areas low on manufacturing and high on resources.

TABLE SEVEN
U.S. Foreign Direct Investments*
By Area and Sector, 1969

	Manufacturing	Petroleum	Mining	Other	Total (\$billions)	
	(Percentages)					
Canada	32	24	49	32	31	\$21.1
Latin America	15	20	34	27	20	13.8
E.E.C.	22	12	—	11	15	10.2
U.K.	16	9	—	7	11	7.2
Other Europe	5	6	1	13	6	4.2
Southern Dominions**	7	5	9	4	6	3.9
Asia and other Africa	5	25	7	7	11	7.4
ALL	100%	100%	100%	100%	100%	\$67.7
(\$ Billion)	\$29.5	\$18.3	\$5.6	\$14.3	\$67.7	

*Foreign direct investments defined here as 25 per cent or greater equity.

**Southern dominions are Australia, New Zealand and South Africa.

(Calculated from: Survey of Current Business, October 1970:28)

The funds used for U.S. direct investment tend not to come from the parent corporation and, as U.S. multinational operations mature, this can be expected to decline as a source of expansion. A Department of Commerce survey reports that between 1957 and 1959, only 25 per cent of the funds for foreign operations came from the U.S. parents and by the most recent period of 1966 to 1970, this was only 15 per cent with about half from internal earnings and over a quarter borrowed outside the U.S. (see Fortune, August 1973:54). The increased importance of foreign investment for the earnings of U.S. corporations is indicated in the following table.

TABLE EIGHT
U.S. Earnings, Foreign and Domestic, 1950-1965
(in billions)

	Earnings on Foreign Investment		Domestic	
1950	\$2.1	9%	\$21.7	91%
1955	3.3	13%	22.2	87%
1960	4.7	19%	20.6	81%
1965	7.8	18%	36.1	82%

(Calculated from Magdoff, 1969:183)

Domestic earnings actually dropped between 1950 and 1960 but the difference was made up by foreign earnings. Between 1950 and 1964, domestic profits of U.S. companies increased by 66 per cent but for the same period, foreign operations increased by 271 per cent, more than half of these profits from foreign operations coming from underdeveloped countries. This is of particular importance to dominant economic interests in the U.S. since the eight largest companies alone accounted for 25 per cent of the profits and each of these is multinational (Gilberg, 1970:243-244).

Because such a large part of U.S. direct investment is in Latin America (next in importance only to Canada), it is valuable to briefly examine some of the implications of U.S. multinationals for that region. This will later allow a rough comparison with Canada at the end of this chapter.

Asymmetry in U.S.-Latin American Relations

Between 1960, when the U.S. had a \$653 million balance of trade advantage, and 1965, when the advantage doubled to \$1.3 billion, a total of \$6.4 billion balance of trade favoured the U.S. to the deficit of Latin America (Petras, 1970:433). Much of the deficit is attributable to the withdrawal of capital by U.S. multinationals which, for example, repatriated about 98 per cent of their profits made in Latin America in 1967 (Turner, 1971:153). U.S. investment in Latin America drains capital from that region rather than providing the capital for its development. Between 1950 and 1965, there was an outflow of direct investment from the U.S. of \$3.8 billion but during this same period, \$11.3 billion in income from this investment was transferred back to the U.S. In addition to this net deficit of \$7.5 billion from Latin America to the U.S., U.S. investments in the area increased from \$4.5 billion to \$10.3 billion, financed out of retained earnings and capital sources from within the region (Magdoff, 1969:198). Considering 1960 and 1965 also, there was \$6.4 billion income on investment in Latin America with 73 per cent of this from direct investment. While total income was \$858 million in 1960, by 1965 this had increased 45 per cent to \$1.25 billion (Petras, 1970:432).

In terms of return on investment for the entire 'Third World' in 1964, the average return on investment amounted to 17.6 per cent without adding 'invisible' payments (Jalee, 1969:113). 'Invisible' payments in-

clude such costs as debt service, royalties and other financial services. Frank reports that, for 1961-1963 Latin America's 'invisible' financial services, payments amounted to 40 per cent of its foreign exchange earnings, while payments for foreign transportation and other services was another 21.5 per cent, together totalling 61.5 per cent of Latin America's foreign exchange earnings without receiving any goods in return (1969:389).

U.S. aid to Latin America is a further method to promote U.S. corporate capitalism in Latin America and subsidize U.S. multinationals. U.S. foreign aid is typically in the form of tied loans, not grants, and designed to subsidize U.S. agriculture and industry. For example, more than half the goods shipped under the foreign aid programme were in ships registered in the U.S. and 68 per cent of the aid was required to be spent in the U.S. between 1948 and 1958 (Kolko, 1969:68-69). Built into the U.S. Foreign Assistance Act is a provision that the President is to cut off aid in the event of actions by recipients against U.S. corporations (Horowitz, 1971:222-223). The act also forces the recipients to buy in the U.S. market and 95 per cent of the payments for machinery and vehicles was made to U.S. companies while 90 per cent of all AID payments were to U.S. corporations (Petras, 1970:435-436). This results in the situation where 11 per cent of all U.S. exports derive directly from foreign aid (Gilberg, 1970:247). Foreign aid, therefore, keeps markets abroad open for U.S. products while tying recipients further into the U.S. economy with further debt. Foreign aid is the 'price' the U.S. pays for maintaining its economic empire, although direct interventions do occasionally have to be called upon to supplement control by cooptation.

Although there has been a relative shift in U.S. investment away from Latin America in recent years, as compared to the proportion allocated to other areas of the world, the actual situation within Latin America has been an increase. For example, by 1965 the U.S. had increased its relative hold on 'Third World' countries to 60 per cent of all foreign investment (Jalee, 1969:111).

U.S. owned manufacturing interests in Latin America are primarily oriented toward capturing local markets and avoiding tariffs. For example, the sales of U.S. owned manufactured goods in Latin America for 1965 amounted to \$5,073 million (92.5 per cent) for local sales, \$101 million (1.8 per

cent) for export to the U.S. and other exports of \$310 million (5.7 per cent) (Magdoff, 1969:162). Ironically, as Wilkins reports,

by 1970 the book value of U.S. direct investments in manufacturing in Latin America as a whole remained less than such stakes in either Canada or the United Kingdom. The reason lay in currency depreciations, smaller markets (because of low per capita income), and political uncertainty. But even if the rise in U.S. direct investments in manufacturing in Latin America was not as dramatic as that in Europe, the additions to U.S. stakes in Latin American manufacturing in response to host government pressures were unquestionably important. Indeed, the very import-substitution by direct foreign investors that took place because of governments' nationalistic measures came to be regarded by Latin American nationalists as a new cause for alarm over foreign domination (1974:354).

The tariff walls that were created within Latin America after the Second World War had an effect comparable to Canada's National Policy of 1879. As suggested earlier, while there are parallels between Latin America and Canada, there are also marked differences which need to be taken into account. A major part of these differences is accounted for by Canada's own foreign investments to be examined shortly. First, however, a brief examination of foreign investment within the U.S.

Foreign Investment in the U.S.

Before turning to Canadian foreign investments, the phenomenon of foreign investment within the U.S. can be examined briefly. Briefly, because they have had little impact. Overall, for the year end 1969, foreigners had \$91 billion claims on the U.S. while the U.S. had \$141 billion on them. But even this difference is deceptive since over half the U.S. claims on foreigners were in the form of subsidiaries and branches compared to only 16 per cent of foreign claims on the U.S. In fact, over a third of the foreigners' claim on the U.S. were in the form of bank claims compared to less than one tenth in the opposite direction (Survey of Current Business, October 1970:23). The country with the greatest amount of foreign investment in the U.S. in 1969 was Britain with \$3.5 billion (almost 30 per cent of the total), followed by Canada's \$4.8 billion (or

about one quarter of the total), with the Netherlands next (16.6 per cent), then Switzerland (11.8 per cent), Germany (5.2 per cent), France (2.7 per cent) and Japan (1.5 per cent) (Fortune, August 1971:118).

By the end of 1974, total foreign direct investment totalled \$26.5 billion. Again, Britain led but now with only 21 per cent of the total, followed by Canada's 20 per cent (\$5.3 billion) and then the Netherlands with 18 per cent (Globe and Mail, May 4, 1976:B7). While certainly large sums of money, these investments have virtually no impact on control of the U.S. economy.

Only 17 of the Fortune 500 for 1975 are foreign controlled and only two of these are in the top 200 (Shell Oil [#14] with 42 per cent held in the Netherlands and 28 per cent in Britain and Standard Oil (Ohio) [#87] with 25 per cent held by British Petroleum). Three 'Canadian' companies appear on the list, including Joseph E. Seagrams & Sons (#257) with 100 per cent, Texasgulf (#304) with 30 per cent held by the Canada Development Corporation, and ESB (#380) controlled by International Nickel Co. of Canada with 100 per cent (INCO is discussed elsewhere). There are three joint ventures between the Netherlands and Britain plus three more companies each in the Top 500, one each from Belgium, Switzerland, Japan and France, with an additional British-French joint venture. Therefore, seven of the seventeen involve British direct investments and six from the Netherlands while Canada's three are the only other multiple representations (Fortune, May 1975:174).

Other Canadian companies have U.S. operations but they are smaller than the Fortune 500. The following companies expanded their U.S. operations in 1974: Bell Canada (\$1 million plus in construction, investment and acquisition of AVM), Moore Corporation (\$7 million expansion and construction), Massey-Ferguson (\$1 million plus in construction and joint ventures), Noranda Mines (\$70 million expansion) and MacMillan Bloedel (\$8 million acquisition and construction) (Financial Post, February 15, 1975:11).

The average annual rate of growth of Canadian direct investment in the U.S. between 1962 and 1971 was 5.8 per cent, compared to an average rate of 7.9 per cent increase for the same period by U.S. direct investment

in Canada. Similarly, in 1962, Canadian investment in the U.S. was 17.0 per cent of U.S. investment in Canada but by 1971, this fell to 13.9 per cent. Thus the U.S. penetrated the Canadian economy to a much greater extent and at a faster rate in the decade of the 1960s than did Canadian capital to the U.S. (see United Nations, 1974:170, Table 21).

There are restrictions on foreign investment in the U.S. "in defense or other industries vital to the national interest such as nuclear energy, transportation and communication" but other areas are open. However, in 1973, there was an increase of \$3.5 billion in foreign direct investment in the U.S. raising the total to \$20 billion (compared to \$120 billion U.S. direct investment abroad) and these developments brought some concern, particularly in terms of the subsequently blocked takeover bid of Lockheed Aircraft and reports of Iran's interest in Pan American World Airways (New York Times, April 17, 1975:52).

Early in 1975, the Zarb Report of the Federal Energy Administration (FEA) focused on the issue of foreign investments in the U.S., particularly in the energy field. It found \$4.4 billion foreign direct investment in this sector, compared to U.S. foreign oil interests of \$30 billion, with foreign ownership accounting for under 12 per cent of the investment in U.S. energy. "Four European-based companies--the United Kingdom's Burmah and British Petroleum, Belgium's Petrofina and the Netherlands Shell--'account for more than 90 per cent of the foreign ownership control' the FEA report said" (Ottawa Journal, February 18, 1975:9). Foreign investment in U.S. oil reflects the world wide concentration in this resource and is the only area with any significant foreign ownership within the U.S.

There appears to be little foundation for fear of oil countries investments in the U.S. Rose reports that OPEC countries had under \$100 million in direct investments in the U.S. in 1974, mainly in real estate and some small banks. He says, "the OPEC countries have put nearly all their money into portfolio investments--i.e., bank deposits, bonds, and noncontrolling stock purchases. Robert Gerard is a high Treasury official who makes it his business to keep track of OPEC investments in the U.S. Says he, "From everything we have been able to learn, the OPEC investor is behaving like a nervous grandma who turns her money over to Morgan Guaranty and says: 'Here, invest it as conservatively as possible.'" (1975:172).

While the U.S. government has been quick to respond to concern over foreign investment in the U.S., there is little basis for this concern, certainly not compared to that expressed over U.S. investments in the rest of the world. Total foreign direct investments in the U.S. account for less than 18 per cent of this type of U.S. investment abroad. Essentially, foreign direct investment is a one-way street: from the U.S. to Canada, Latin America and Europe, with little traffic in the opposite direction. On a world scale, oil is the only exception to this general pattern; on the continental level, the exceptions involve those areas where Canadian capitalists have their strength.

'Canadian' Foreign Investment--Merely Go-Between?

The relationship between the U.S. and Latin America is, theoretically at least, quite simple: the U.S. is the centre economy and Latin America its periphery. The U.S. operates directly in Latin America through multinational corporations and their primary purpose is the extraction of resources for use in the U.S. and to provide an expanded market for manufactured products. Canada's external relationships are not so easily summarized because it is simultaneously an importer and exporter of foreign direct investment and a substantial part of the exported direct investment goes through foreign controlled branch plants in Canada.

Tom Naylor's recent work provides a detailed analysis of Canada's international investment position up to 1914. He argues:

Capital exports went almost exclusively to two areas--to the United States and to the Caribbean and South America. Since the one was a major metropolis and the others economic hinterlands, the role performed by the Canadian ventures in the two areas was very different. The American investments represented substantial outflows of capital from Canada: the others did not, for the South American and Caribbean investments were devices for draining funds from these areas (1975, II:218-219).

Even at this early period, Canada was showing two faces to the world, one subordinate in the U.S. and one as part of the dominant face along with the U.S. and U.K. in Latin America (including the Caribbean). Thus, to Latin America, Canada was a metropolitan nation with aggressive investments while, at the same time, Canada was subject to these same forces from

the U.S. Only an unevenly developed economy within Canada could have produced these different foreign faces and, as was demonstrated earlier, this uneven development has and continues to characterize Canada.

Naylor classifies Canadian foreign investments prior to 1914 into seven categories, depending on the nature of the activity and whether it is dominant or subordinate:

- (1) Bank establishments in the United States to facilitate capital movements and commodity exchange between the U.S. and Canada...
- (2) Insurance companies established branches in the U.S. which, unlike the banks, actively solicited business there. However, the insurance companies were substantial net exporters of capital from Canada [holding large U.S. portfolios]...
- (3) Railway extensions and operations in the U.S. were considerable [but essentially extensions of Canadian operations]...
- (4) A sizeable amount of individual, as well as institutional, portfolio investments existed in the U.S.
- (5) The smallest group of Canadian investments in the U.S. were direct investments in industry, horizontally or vertical extensions of Canadian oligopolies...
- (6) A network of banks was established across the Caribbean...active in developing and dominating local banking business. Insurance companies, too, established a dominant position in local business. Both extracted funds for export back to Canada, and their holdings of local securities were virtually non-existent.
- (7) Railways and utilities operations in Latin America ...were designed to develop local traffic and resources. The utilities were generally wholly owned direct investments (1975, II:219-220).

Many of these early ventures into Latin America took place within the context of the British Empire, and within this context it was commercial capitalists that dominated. These Canadian capitalists acted as intermediaries in the world capitalist system, especially in Latin America. According to Naylor, "Canadian banks and insurance companies abroad played an indispensable role in the promotion of these enterprises...The Commerce, for example, serviced the Rio and Sao Paulo utilities, the Bank of Montreal served as banker for some of the principal Mexican operations, while Herbert Holt's Royal Bank backed Van Horne's Caribbean escapades" (1975:37). Developments in Latin America paralleled those in Canada, even down to

the same men; "utility and railway promotions in Latin America...were undertaken by the same groups of Montreal and Toronto financiers in the same alliances" (1975, II:258). One prominent example of such ventures at the turn of the century was Brazilian Traction, Light, Heat and Power Corporation (Brascan), a holding company created by Canada's foremost financiers--men like Edward Rogers Wood and the Hon. Senator George Albertus Cox--who were intimately connected to Dominion Securities and many other financial activities (see Chodos & Murphy, 1974:21-23). Some of the same men who were involved with Brascan were also behind the push of Canadian banks and insurance companies abroad. But with the withdrawal of the British Empire following World War One, much of the necessary financial, political and military support necessary to promote these developments by Canadian capitalists also receded. While some of these early companies continue today, there has been added a new twist to many recent 'Canadian' ventures in Latin America.

To understand the pattern of 'Canada's' foreign investment abroad, it is imperative that it be put in the context of the high degree of U.S. control of Canada's resources and manufacturing. Most of Canada's foreign direct investment now is in the U.S. but this does not correctly reflect Canada's total position. For example, in 1968, Canada had 55 per cent of its direct investment in the U.S. but received only 41 per cent of its income receipts from there. The U.K. received 12 per cent but returned only 8 per cent. The situation, relative to all other countries, was much different; although they received only 33 per cent of direct investment, areas outside the U.S. and U.K. returned 52 per cent of the income (Statistics Canada, 1971:104, Statement 63).

Recently, an increasing share of direct investment from Canada has veered away from the U.S. While the total dollar value of Canadian direct investment in the U.S. increased from \$2.041 billion to \$3.251 billion from 1965 to 1970, its proportion of the total fell from 59 to 53 per cent (Statistics Canada, 1975:27). There is, however, a different pattern with respect to portfolio investment, a pattern Naylor observed for the turn of the century. Canada's portfolio investment abroad in 1970 was \$2.7 billion and 85 per cent was mainly in stocks of corporations (Statistics Canada, 1975:10-11). Since 85 per cent of Canadian portfolio investment is located in the U.S., there is little need to explain movements of portfolio

capital in terms of Canada's relationship to the rest of the world. However, about half the 'Canadian' direct investment abroad is located outside the U.S. and this will require a more detailed analysis. Before this is done, however, Canada's overall place in the capital market must be kept in mind.

By 1973, 'Canadian' assets abroad totalled about \$30 billion; at the same time, external liabilities totalled about \$63 billion (Statistics Canada, 1975:9). Thus overall, about twice as much foreign capital was invested in Canada as was invested from Canada in other countries. The two are not unrelated and the nature of their relationship requires that an important distinction be drawn in all statistics measuring Canada's role in Latin America. This is the distinction between Canadian controlled investment abroad contrasted with that investment from foreign controlled companies operating out of Canada. The first is indigenous Canadian foreign investment, the second go-between investment. One reflects the autonomous power position of Canada, the other the dependent position within the context of U.S. capital.⁸

The following table provides an indication of the differences in these two types of 'Canadian' foreign direct investment by sector, but it should be kept in mind that all these statistics exclude banks and insurance companies (because they report to other agencies) and will be dealt with in detail shortly.

TABLE NINE

Distribution of 'Canadian' Direct Investment Abroad
by Industry, 1970

INDUSTRY	(percentages)	
	INDIGENOUS	GO-BETWEEN
Manufacturing	49.2	56.8
Merchandising	2.0	9.3
Petroleum	6.2	11.2
Mining	3.8	10.4
Railways	7.7	0.8
Other Utilities	21.1	2.1
Financial*	7.3	6.0
Other	2.8	3.4
All Industries	100%	100%

*Banks and life insurance, Canada's two key areas of foreign investment are not included here, thus making the comparison somewhat deceptive.

(Source: Statistics Canada, 1975:29, Statement 10)

⁸Changes in classification now make it difficult to use them for aggregate

The difference between indigenous and go-between foreign direct investment is mainly the areas of utilities and railways where Canadian controlled companies dominate and in manufacturing, petroleum and mining where foreign controlled companies are pre-eminent.

Between 1969 and 1970, an important shift occurred in the distribution of 'indigenous' and 'go-between' foreign direct investment in terms of country of destination, resulting mainly from a 'new' investment classification of almost \$600 million by a utilities company in South and Central America (Statistics Canada, 1975:28, 92). As a result, the pattern in terms of investment in developing and developed countries changes for the two types of control. In 1969, only 12 per cent of indigenous direct investment was in developing countries (this proportion goes back to 1965 when 11 per cent was in developing countries) but this rose to 26 per cent in 1970; in the earlier year, 24 per cent of the go-between investment was in developing countries while in the latter year, this declined to 22 per cent. However, even in the latest period, important differences exist with respect to the location of this direct investment, as the following table illustrates.

TABLE TEN
'Canadian' Direct Investment Abroad
by Control and Location, 1970

AREA	Canadian Enterprises Controlled in:			
	Can. (Indigenous) (\$ millions)	U.S./Other (Go-Between)	Can. (Indigenous)	U.S./Other (Go-Between) (percentages)
United States	2,339	912	58.0	42.4
Other North America	282	226	7.0	10.5
South & Central America	656	164	16.3	7.6
United Kingdom	328	258	8.1	12.0
E.E.C. (other)	203	101	5.0	4.7
Other Europe	77	108	1.9	5.0
Africa	61	73	1.5	3.4
Asia	27	107	0.7	5.0
Australasia	63	203	1.6	9.4
Total	4,036	2,152	100%	100%
Developed	2,998	1,677	74.3	77.9
Developing	1,038	475	25.7	22.1

(Calculated from Table 4, Statistics Canada, 1975:92).

analysis. The Fortune list of Top 300 industrials outside the U.S. now lists U.S. subsidiaries as Canadian companies with the result that five 'Canadian' companies have been added to the list (Ford, Imperial, Gulf, Texaco and General

Again, keeping in mind that these figures exclude banks and insurance companies, these figures illustrate that indigenous investment has pulled well in front of go-between investment in South and Central America, rising from only \$67 million to \$656 million between 1969 and 1970 (but this was mainly caused by a reclassification in government statistics).⁹ The amount of go-between direct foreign investment is greater in Europe outside the E.E.C., in Africa, Asia and Australasia, with the go-between amount in Asia about four times indigenous and in Australasia over three times.

Even to a greater extent than in the U.S., 'Canadian' direct investment abroad is highly concentrated in a few very large firms (again aside from banks and life insurance companies).

TABLE ELEVEN
'Canadian' Direct Investment Abroad,
By Area of Control and Size of Investment, 1970

INDIGENOUS	Number	\$ Millions	% Total	Average Size (\$ Million)
Over \$100 m.	8	2,861	70.9	357.6
\$25-100 m.	13	561	13.9	43.2
All	539	4,036	100%	7.5
GO-BETWEEN				
Over \$100 m.	3	1,183	55.0	394.3
\$25-100 m.	10	533	24.8	53.3
All	257	2,152	100%	8.4

(Calculated from Table 6, Statistics Canada, 1975:94)

Statistics Canada concludes from the above data: "While about 800 Canadian enterprises had direct investments abroad in 1970 with a value of \$6.2 bil-

Electric) but excludes wholly-owned subsidiaries of comparable size (General Motors, Chrysler and IBM). Shell Canada is also excluded because it is consolidated with the U.K./Netherlands' parent, Royal Dutch/Shell Group. Also included among the 20 'Canadian' companies are Alcan Aluminum and INCO, both with substantial foreign holdings but not branch plants (see Financial Post, September 27, 1975:C-4).

⁹ This shift in indigenous foreign investment in South and Central America "was principally a result of the reclassification to direct from Portfolio investment of the overseas investments of a major enterprise. This enterprise, previously accorded the special tax status of a foreign business corporation, began to establish sizeable diversified investments in Canada" (Statistics Canada, 1975:23). The company is likely Brascan, although it is not known for certain.

lion, 11 enterprises alone accounted for two thirds of the total" (1975:10). The average size of go-between investments is somewhat larger than indigenous ones but there are 21 indigenous investments with over \$25 million compared to 13 go-between. Alone, these 21 indigenous investments account for 85 per cent of all investments of this type while the 13 go-between ones account for 80 per cent of their type. While the number of companies is small, the average size of the largest companies is very substantial.

Specific reference must now be made to the core of indigenous Canadian foreign investments, the banks and life insurance companies. There are 13 dominant Canadian life insurance companies, accounting for 93 per cent of the assets of all Canadian life insurance, 89 per cent of income and 95 per cent of the net income of all such companies within Canada. Of these 13, 10 have over 25 per cent of their insurance in force outside Canada.¹⁰ None of the next seven largest life insurance companies have 25 per cent of their insurance in force outside Canada. In other words, the 10 multinational life insurance companies are all dominant within Canada. Measured in terms of assets outside Canada, all of the multinationals have a minimum of over 10 per cent of their assets outside Canada, ranging as high as 55 per cent (Manufacturers Life), with another (Sun Life) close behind with 53 per cent. The dominant insurance companies that are not multinational have a maximum of 0.3 per cent of their assets outside Canada. For the dominant multinationals, two have over 50 per cent of their assets outside Canada, six have over 25 per cent but less than 50 per cent and the remaining two have 22 per cent and 11 per cent. The average for the 10 multinationals is 34 per cent of their assets held outside Canada. One company, Great West Life, has 44 per cent of its insurance in force outside of Canada but this is completely concentrated in the U.S. While most of the insurance in force outside Canada of these multinationals is located in the U.S. or the U.K., a substantial amount is also in other nations, such as the \$1,215 million in South Africa, \$734 million in Jamaica and \$270 million in Trinidad and Tobago. Particular companies tend to concentrate in specific nations.

¹⁰ Appendices III a, b, and c provide detailed information on the foreign operations of Canada's dominant life insurance companies, including insurance in force and assets held outside Canada.

In banking, the other cornerstone institution of indigenous Canadian capitalism, this same multinational pattern among dominant companies emerges. There are five dominant banks in Canada, accounting for 90 per cent of the assets, 91 per cent of income and 91 per cent of net income of all banks. All five dominants have multinational operations, while some are more involved than others. Two criteria have been used to determine which chartered banks are multinational; the number of branches outside Canada and foreign holdings of chartered banks.¹¹ The first criterion indicates ways in which deposits are received and other traditional banking activities while the other measures the degree of corporate control through ownership. In terms of bank branches outside Canada in 1972, the Bank of Montreal has 10, five of which are located in the U.S. (although it does have holdings in ten countries); the Bank of Nova Scotia has 69, 41 of them located in the West Indies; the Canadian Imperial Bank of Commerce has 57, 23 in the U.S. and 32 in the West Indies; the Toronto-Dominion Bank has only four, the lowest of all five dominant banks (although it does have holdings in six countries); and finally, the Royal has 85, the most of all, with 58 located in the West Indies. Aside from branches, these dominant banks have extensive direct holdings outside Canada. For example, the Royal Bank holds 100 per cent of several international companies, including the Royal Bank Trust Company (West Indies) Ltd., which has subsidiaries in Jamaica, Barbados, Trinidad, Guyana and Cayman.

While banks and insurance companies as a group have the most extensive multinational operations of all the companies controlled by the indigenous Canadian capitalist class, there are several other prominent indigenous companies also active in this respect. For example, Massey-Ferguson has 90 per cent of its sales, 62 per cent of production and 84 per cent of its assets outside Canada and operates subsidiaries in 22 foreign countries.¹²

¹¹ Appendices IV a and b provide detailed information on the foreign operations of Canada's dominant banks, including branches outside Canada and foreign holdings.

¹² "70%-75% of the net sales for Massey in 1975 [were] outside North America, while 75%-80% of the U.S. firms' [International Harvester Co. and Deere & Co.] sales were in North America. Massey has been world-oriented for 25 years" (Financial Post, March 13, 1976:21). For a detailed study of this company, see E.P. Neufeld's, A Global Corporation: A History of the International Development of Massey Ferguson Limited (1969).

George Weston Limited, another dominant Canadian company has extensive multinational operations (see Cubberly and Keyes, 1975). Other dominant companies (or their subsidiaries) include Brascan, Canron, Cominco, Consolidated-Bathurst, Distillers-Seagrams, Hiram-Walker, Hollinger Miners, Laurentide Finance, Montreal Trust, Moore Corporation, Noranda Mines, Northern Telecom, Royal Trust and Stelco. There are also various other companies within Canada which themselves are substantially foreign controlled and have extensive foreign holdings like Anglo-Canadian Telephone, Canadian International Power, Dominion Bridge, Falconbridge Nickel Mines,¹³ Ford Motor Company of Canada, McIntyre Porcupine Mines, Pacific Petroleum, Patino Mining, Rio Algom Mines, Sherrit Gordon Mines and Westcoast Petroleum. There are two others, both with substantial foreign holdings in the Canadian based parents and extensive multinational operations, Alcan Aluminum and International Nickel Company.¹⁴

While not all members of the indigenous elite in Canada operate multinationally, it is apparent that many do. Those Canadian capitalists that do operate multinationally, tend to be at the commanding heights of the Canadian economy. Besides the banks and life insurance companies, two holding companies are very important. The one is Power Corporation, which controls at least five major Canadian multinationals: Laurentide Finance, Montreal Trust, Great West Life, Imperial Life and Consolidated-Bathurst. The other is Argus Corporation because of its 16 per cent controlling interest in Massey-Ferguson and its 20.3 per cent interest in Hollinger Mines, which in turn holds 10 per cent of Noranda Mines which has 26 per cent of Placer Developments; all four companies are multinationals. Between them these two dominant holding companies have substantial ownership of at least five major Canadian multinationals in production. Besides financial companies, those in

¹³ John Deverell's Falconbridge: Portrait of a Canadian Multinational is an important case study of a company controlled in the U.S. (by Superior Oil and the Howard B. Keck family) but operates from a Canadian base (1975).

¹⁴ A more detailed examination of these two companies will be provided in the next chapter, but Bourgault points out, "Alcan--does a large part of its product development in the U.K.; INCO--does most of its product development in the U.S.", suggesting that the fact they are Canadian based has little impact on Canada's technological development (1972:126).

the transportation/utilities service sector are also active in production based multinationals such as Cominco, a subsidiary of Canadian Pacific, or Northern Telecom, a subsidiary of Bell Canada.

If it can be demonstrated that part of the indigenous Canadian capitalist class is able to operate internationally, that is, if it is not merely go-between, then the case for its internal strength within Canada is reinforced. It would be difficult to argue that the Canadian capitalists who control these powerful corporations are merely go-between. It is correct, however, that a substantial part of 'Canadian' foreign investment is merely go-between.

The pattern of foreign direct investment from Canada reflects the same pattern illustrated earlier within Canada. The Canadian controlled component tends to be centred in finance and transportation/utilities and many of the Canadian manufacturing and resource companies abroad are tied to Canadian holding companies like Power Corporation and Argus Corporation. The foreign controlled or go-between component is almost exclusively in manufacturing and resources.

One of the few detailed studies of Canada's foreign investment abroad is Kari Levitt and Alister McIntyre's Canada-West Indies Economic Relations. They found that, "in the fields of banking, insurance, and bauxite-alumina production Canadian investment not only is significant, but is the main portion of investment in each of those particular industries" (1967:24). The financial operations are Canadian controlled but based in Canada. Half of 'Canadian' investment is located in Jamaica, they found, with further concentration in Guyana and the remainder of the eastern Caribbean. About three fifths of the 'Canadian' investment in the area was in bauxite-alumina and a little under one fifth in finance with lesser amounts in utilities, agriculture, manufacturing and other areas. Outside the sectors of banking and insurance, Canadian capital "lags far behind the United States and Britain," particularly in "the new manufacturing sectors, for example, it is estimated that American companies account for nearly 80% of the direct investment that has taken place since the 1950's." In the area of distilleries in Jamaica, it is a Canadian controlled firm, Distillers Corporation-Seagrams, which dominates. Banking in Jamaica is dominated by the Bank of Nova Scotia which has been there since 1889 and in the rest of the Caribbean,

the Royal Bank, along with the U.K. controlled Barclay's Bank, dominates. In the insurance business, Canadian companies are dominant in the entire Caribbean, controlling 70 per cent of the business (Levitt and McIntyre, 1967:24-27). In Jamaica, 21 per cent of the insurance in force is accounted for, with North American Life the dominant company; Confederation Life and Crown Life dominate in Trinidad and Tobago, with Crown and Imperial Life dominant in the Bahamas. In Guyana it is North American Life and Confederation Life in the Dominican Republic. Although these operations in underdeveloped areas may not be crucial to the companies themselves, they do dominate some sectors of these small societies and withdraw capital from these areas.

The same general pattern appears in 'Canadian' investment in Central and South America, with over three quarters located in only seven countries: Argentina, Brazil, Dominican Republic, Mexico, Netherlands Antilles, Peru and Venezuela (Statistics Canada, 1971:75). Another area where a detailed review of Canadian investment has been done is Brazil. Here Canada accounts for only seven per cent of all foreign investment in 1974 and it is in fifth position behind the U.S., West Germany, Japan and Switzerland. However, for specific Canadian controlled companies, their Brazilian operations are significant. In 1974, Brascan sent half of its \$108 million profit from Brazilian operations back to Canada and Massey-Ferguson sent back a third of its \$10 million profit (Financial Post, October 18, 1975:D-6). Massey-Ferguson controls 50 per cent of Brazil's tractor market. Brascan's utility operations are well known in Brazil, operating there since 1901, but recently, in conjunction with McMillan Bloedel, they have also been moving into developing a forest products industry and are involved in another venture with Swift-Armour. Besides being Brazil's largest private utility company it now has over 30 other operations "including a pineapple plantation, breweries, hotels, cable television and financial services" (Globe and Mail, May 28, 1976:B1).¹⁵ Overall, there are over 30 major Canadian companies

¹⁵ J.H. Moore, president of Brascan, recently argued on the need to encourage 'bigness' so they can "compete efficiently in world markets." Of Brascan's \$2.25 billion investments, 'only' \$293 million are in Canada (mainly in John Labatt's) with most of the rest in Brazil and some mining interests in the U.S. and Australia (Globe and Mail, May 7, 1976:B1; June 3, 1976:B5).

active in Brazil. While the Brazilian operations of these companies are of importance to the companies involved, they are clearly not in a position to dominate the Brazilian economy, except in very specific areas like utilities and tractors. Otherwise the dominant external force in the area is the United States.

Outside of banking and insurance and a few specific areas, Canadian indigenous capitalism is not strong internationally, although it does have an international presence. But within banking it is important, as Earle McLaughlin, chief executive of the Royal Bank told the Vancouver Board of Trade recently, "In international trade and finance, we are big...Certainly as far as international trade is concerned, it has been an advantage to be big. We have been able to operate successfully in the international sphere because we are big and people have confidence in us" (Financial Post, December 13, 1975:C-5).

Overall, Canadian multinationals are much less prominent in Latin America than are U.S. multinationals and depend to a large extent on the 'climate,' created and maintained by the U.S. sphere of influence (reinforced by political and military control) for their continued operation. There are some areas, however, where Canadian multinationals are of consequence.

The Statistics Canada publication, Canada's International Investment Position, offers the following explanation of 'Canadian' direct investment abroad:

A significant amount represents the direct extension of corresponding activities of the owners in Canada or developments ancillary to their Canadian operations. Broadly representing the extension of Canadian enterprises are investments abroad in beverages, agricultural implements, mining and smelting, pulp and paper, automobiles, business forms, merchandising and petroleum. A further part of Canadian direct investment abroad is related to the provision of raw materials, such as bauxite, for Canadian enterprises, and yet another is the direct extension of transportation facilities such as Canadian owned railway and pipeline facilities in the United States (1971:74).

Other factors mentioned are markets, socio-political ties, "country of control of the investing enterprise" and historical factors like Commonwealth ties and tariff preferences. To take mining as an example, while Canadian

controlled companies have only four per cent of their direct investment in this area, foreign controlled companies have over 10 per cent. This suggests that 'Canadian' direct investment in this sector reflects primarily a world wide operation rather than a particularly Canadian extension into the world economy. On the other hand, finance and utilities are strongly held by Canadian control and have extensive operations emanating from strong Canadian indigenous sectors and are thus Canadian initiated.

As the number and size of 'Canadian' multinationals have grown, so have the political and business support agencies to reinforce the extension of these multinationals into the world. It should be made clear, however, that politically and militarily, Canada has neither attempted nor is it likely to succeed in attempts at directly protecting these multinational operations. This is not the same as saying the Canadian state has not provided other types of support, only that it does not have the international power to provide the type of political/military umbrella the U.S. can provide. To some extent, the U.S. umbrella does serve to protect Canadian operations within their sphere of influence.

The Canadian state provides a number of services to multinationals, including the Trade Commissioner Service which has 79 Trade Offices in 56 countries. "Its primary role is to promote Canada's export trade and generally to protect its commercial interests abroad" providing such services as marketing consultants, searching out foreign buyers, recommending "modes of distribution and suitable agents," providing tariff, exchange control and other information. "At no time, however, does a commissioner handle any money since he is not an agent but rather provides personalized assistance to the Canadian exporter in his territory" (Canada Year Book, 1972: 1101-1102).

Another government agency promoting multinationals is the Export Development Corporation (EDC); "it is the purpose of the EDC to facilitate the development of Canada's export trade by providing insurance, guarantees, loans and other financial facilities that enable Canadian firms to meet international credit competition." A 12-man board, chairman and six directors from the civil service and five from "private business," administer its affairs. Two of the private businessmen in 1971 were Paul Leman, president of Alcan (which has received \$14.7 million in credits from the agency)

and (the now deceased) A.F. Mayne, at that time president of Kennecott Canada and director of six other 'Canadian' multinationals. In 1971, 85 per cent of the insurance coverage for the agencies was in Africa, Asia, Latin America and the Caribbean. One loan of note is that to Brazil for \$26 million in 1971 which was guaranteed by the Brazilian government. It stipulated that \$23 million of the \$26.5 million must be used to buy equipment from seven 'Canadian' companies, all foreign owned (six in the U.S. and one in the U.K.) (Canada Year Book, 1972:1103; Last Post, 1973:29-33).

Other private associations have also emerged to support multinational activity. One such agency is the Pacific Basin Economic Council (PBEC) which, according to its 16-page advertisement in Fortune (September 1972), "is a unique organization operating in the interests of private enterprise under a covenant pledging its membership to strengthen business and economic relationships among its member countries and to generate greater economic and social progress among the developing countries of the Pacific region." The explicit political nature of this organization is stated by K.H.J. Clark, the PBEC president, also president of the International Nickel Company of Canada, when he said, "Many of the action proposals our committees are studying have to be implemented by or with governmental co-operation so PBEC is keeping in touch with the national and with the developing nations of the Pacific region."

Canadian involvement in PBEC can be seen on two levels, one the fact that "150 Canadian corporations have taken an active interest in PBEC" and the other, the high degree of Canadian participation in the executive. For example, aside from Clark as president, W.D.H. Frechette is director-general (also an executive vice-president of the Canadian Manufacturers Association), W.D.H. Gardiner is a committee chairman (also vice-president of the Royal Bank), J.H. Stevens is department chairman of economic development (also president of Canada Wire and Cable) and A.H. Hart, Q.C., is chairman of the transportation committee (also a senior vice-president of Canadian National Railways). Through organizations like the PBEC, Canadian multinationals are attempting to open the way for future multinational investments and extend their corporate interests to underdeveloped areas of the world.

Canadian businessmen are also active in associations like the Inter-American Development Bank (see Ottawa Journal, May 23, 1975:18), but one of

the most important associations of this kind is the Canadian Association for Latin America. It was formed in 1969, "largely on the initiative of Grant Glassco and Robert Winters of Brascan" and now has 140 members. "Half the association's annual budget of \$180,000 comes from its members. The other half comes about equally from a grant from the Department of External Affairs and a contract with the Canadian International Development Agency." Its current president is Thomas Bata of Bata Shoes, with 87 shoe manufacturing plants in various parts of the world (Globe and Mail, December 16, 1975:B1). While Canadian multinationals could not be said to dominate areas like Latin America in the way U.S. multinationals have done, they have been swept into the region, first under the wing of the British Empire (particularly to the Caribbean) and now under the wing of the U.S. Thus some Canadian capitalists have enjoyed great privileges within the U.S. sphere of influence.

A Comparative View of the Western Hemisphere

In a comparative perspective, the U.S. relationship with Canada has been less 'troublesome' for the U.S. than their relations with Latin America, for a variety of reasons--such as proximity, language, both being liberal democracies, etc. But two further reasons, perhaps less obvious, have also been important. First, the U.S. entered Canada industrially 'at the ground floor,' so its industrial dominance grew as the industrial and resource sectors grew. As a part of the industrialization process, it did not usually have to directly displace powerful capitalists already in these sectors. Second, it provided the crucial mirror image for powerful commercial capitalists searching for secure, long term capital outlets and production to service. The U.S. companies provided a secure surrogate for the rough and ready competition of indigenous industrialists.

Following the post-World War Two era, the U.S. became a global power of the first order but much earlier it had become a continental power. While both aspects have expanded in the last thirty years, the earlier entry into the continental economy meant that its concentration would be greatest there. In fact, it has been argued that the 'success' in Canadian operations stimulated the movement further abroad of U.S. multinationals. Litvak and Maule suggest, "one might even argue that Canada has inadvertently been a catalyst to this growth. The success of U.S. subsidiaries in Canada has

has motivated many a 'parent firm' to extend its international operations --an intermediary step in evolving into a multinational corporation" (1970: 129). There have been many dimensions of Canada's go-between role.

Two factors distinguish 'Canadian' multinational activity from that of the U.S. The first and most obvious is the size difference. Since Canada has only one eleventh the population of the U.S., even if it had the same proportion of its operations outside the country, its impact would still be overwhelmed by the U.S. presence. Secondly, and not so obvious, is the go-between nature of much of 'Canadian' foreign investment, reflecting the high degree of foreign control within the resource and manufacturing sectors of the Canadian economy. While in areas of indigenous strength like finance and utilities there is a long standing thrust of investment from Canada to Latin America, the overall relationship of Canada within the hemisphere is still a paradoxical one with simultaneous dependence and dominance.

The comparative place of Canada and the U.S. is evident in the following table which summarizes over a three year period the direction of direct investment and investment income both into and out of these countries.

TABLE TWELVE

Direct Investment Flow and Flow of Investment Income,
Canada and the U.S., Annual Average 1968-1970
(\$ millions)

	DIRECT INVESTMENT FLOW			INCOME ON DIRECT INVESTMENT		
	Inward	Outward	Net	Inward	Outward	Net
U.S.	727	-3,621	-2,894	8,107	-866	7,241
Canada	651	-274	378	171	-579	-408

(Source: United Nations, 1974:169, Table 20)

This means that (on an annual average) \$2,894 million more direct investment has been made by U.S. corporations in the rest of the world than the rest of the world has made in the U.S. and the U.S. receives \$7,241 million more in income on direct investment than they pay out. Canada's position is just the reverse. More direct investment flows in than out and more direct investment income flows out than in. While on an annual basis the U.S. receives \$4,347 million more in income on direct investment than flows

out of the country in direct investment, in Canada \$30 million more flows out in income than flows in through foreign direct investment. Thus the relationship of the U.S. with the rest of the world tends to overdevelop it while Canada's relations on aggregate tend to underdevelop it.

In this era of international capitalism, a nation or region can be conceived of as being developed or underdeveloped by whether it is the nation or region which integrates its economic activities on a world wide scale or whether it is satellitic to the integrated activities of powerful nations. A relationship between equals can be considered to be symbiotic but relationships between powerful and weak nations as parasitic. The relationship between Canada and the U.K. or Europe may be rough examples of symbiotic relations while the relationships between the U.S. and Canada or Latin America, and to a lesser extent, between Canada and Latin America, may be considered parasitic. As capitalism became increasingly international in orientation, it became apparent that the kind of relationship which nations establish with each other and the degree of autonomous development a nation enjoys is linked to the power of that nation vis a vis other nations with which it establishes relations.

The underdeveloped society is no longer an undeveloped society but one whose development is controlled from outside. It is no longer possible to speak of 'underdeveloped' societies without in turn examining 'overdeveloped' societies. By overdeveloped is meant developed beyond its internal potential and, therefore, relying for part of its affluence, above the level internally generated, from outside. 'Overdevelopment' is the counterpart of what A.G. Frank argues in his "development of underdevelopment" thesis. As Frank contends,

Underdevelopment, far from being due to any supposed 'isolation' of the majority of the world's people from the modern capitalist expansion, or even to any continued feudal relations and ways, is the result of the integral incorporation of these people into the fully integrated but contradictory capitalist system which has long since embraced them all (1969:224).

With rapid and large scale withdrawal of capital through profits, dividend payments, interest payments and a variety of other 'services' performed by the foreign parent corporation, there is development in the country but not development of the country such that indigenous capital required to

achieve autonomy is withdrawn. Within this system of development of underdevelopment, economic solutions to break this cycle are not possible because the capital needed to do this is not indigenously owned; the only way to cut the process off is political or military.

The dependence produced by multinational corporations is not simply characteristic of relations between advanced and underdeveloped nations but a relationship built into the structure of multinationals. One of the ironies of foreign direct investment is that, once set in motion, its own logic turns it into a 'Catch-22'. If a company is encouraged not to expand, it will continue to return a greater rate of surplus to its parent (that is, retained earnings for the company will not be reinvested but returned to the parent) thus resulting in capital withdrawal. On the other hand, if encouraged to continue to reinvest its 'made abroad' surplus abroad, then it will continue to grow, generating a greater surplus and returning a lower proportion but an absolutely greater amount to the parent, while at the same time expanding its control abroad. In either case, capital is eventually withdrawn.

Dependency relations are established because it is in the interest of powerful nations to maintain the relationship and consequently the underdevelopment of the less powerful nation. It is in the powerful nation's interest not only because of the capital it produces but because it insures raw materials, a labour supply and markets. It is in the interest of powerful nations to maintain a state of "artificial backwardness," to use Balogh's phrase, and it is also in the interest of elites from less powerful areas to maintain this relationship because it reinforces their position vis a vis the rest of the population and binds their position to the maintainance of the existing structure of inequality (1971:339).

Obviously, there are degrees of development and underdevelopment and varying positions on the chain and this is where the difference between the U.S., Canada and Latin America becomes important. From the preceding, it becomes apparent that because of uneven development, even within a particular country like Canada, different sectors of the economy can experience differing degrees of dependency and underdevelopment. In this case, manufacturing and resource exploitation have been externally induced and become dependent upon U.S. capital, markets and development while circulation and service sectors have been controlled by a highly developed sector of the capitalist

class which has chosen to extend itself into other underdeveloped areas of the world rather than compete with foreign interests within its own country. Latin America, in turn, bears the brunt of both systems; U.S. multinationals in pursuit of resources, markets and extension of their internal manufacturing and Canadian extensions of its financial and utilities sector. This relationship holds whether direct U.S. involvement is considered or indirect (go-between) involvement through U.S. controlled subsidiaries operating from a Canadian base. The U.S. capitalist class benefits from both relationships since through manufacturing and resource activities, it has extensive control in Canada and the same activities in Latin America plus finance.

Another important variable affecting development is the stage of capitalism at which intervention occurred. For example, in Canada the difference between finance and utilities sectors, in terms of indigenous control, can in large part be attributable to the historical period in which they were developed; that is, whether they were developed under British mercantilism and portfolio investment or U.S. direct investment. Finance and transportation/utilities sectors are strong indigenous bases in Canada today because they were developed in the era when Canada received British portfolio investment which allowed capitalists in these sectors to pay off their debts and gain autonomy, while resource and manufacturing sectors, which have been developed by U.S. multinationals with direct investment, have maintained outside control rather than achieving autonomy.

Many Latin American countries experience similar developments in terms of utilities, especially railways which were typically state-built, but they did not experience the same autonomy in finance. In the Caribbean it is in large part the highly developed banking and insurance companies from Canada which began operations in the area as early as 1889 which limited the indigenous potential in this sector. Mining and petroleum were in many cases initiated by indigenous Latin American capitalists, but very early in their development, U.S. direct investment entered with large capital reserves, technology and markets so these sectors were soon taken over. Manufacturing has primarily been undertaken by U.S. multinationals extending their operations to avoid tariffs, using local resources and labour. This suggests that the particular manner in which a country

comes into contact with outside intervention and the stage of internal development at which this occurs can account for different degrees of development. With external intervention, the entrepreneurial class does not emerge from the society but is typically recruited from an extension of the landed aristocracy or substituted by foreign corporations. Secondly, profits become generated but are reinvested by the controllers of the external investment and, eventually, more capital is sent out of the country than is sent in, leaving the country capital poor rather than generating more capital for reinvestment. National governments are also usually left capital poor because they must make heavy loans to provide basic services, such as railways and utilities, and then must begin the long process of servicing this debt by taxing the indigenous population. This is particularly difficult when tax incentives have been used to induce outside development. Since foreign development provides powerful positions within the country and recruits influential nationals, increasing dependence follows.

Differential levels of development within underdeveloped countries are reinforced as some areas become industrialized and rely on maintaining internal colonies for their own positions of power. This is particularly the case where influential nationals from the landed aristocracy are recruited to powerful positions within branch plants because this reinforces their power position within the country and they are able to maintain traditional structures without competition from newly emerging industrial interests who otherwise may see it as advantageous to destroy the old power structure.

Canadian historical development provides a similar but by no means identical example in the early construction of canals and railways which involved heavy government subsidies with "reliance upon government as the pipeline to foreign capital. It also gave a particular cast to the power structure of the Canadian economy. Relative backwardness, as in other cases, encouraged centralization of power and an intimate alliance of political and economic leadership" (Aitken, 1965:497). In this case, alliance between powerful financial interests and politicians was reinforced and encouraged by the way foreign capital was channelled into Canada. The utilities sector was initially constructed with foreign portfolio capital which had to be serviced through public funds. The same pattern occurs in many Latin

American countries where local power structures are reinforced through outside funding designed to provide services essential to corporate development.

Within Canada the externally induced economies dominant during the initial staple phase and later during the advanced staple phase, in pursuit of more technologically oriented resources such as pulp and paper, oil and gas, and mining, served to reinforce leading Canadian capitalists while at the same time shaping the Canadian economy in the interests of external markets and needs. This resulted in a concentration on extractive industries and a lack of industrial development.

Comparing Canadian and Latin American experience, each has had similar patterns in terms of the underdevelopment of industrial sectors, although Canada's level of industrialization is much higher. In each case, local interests gained their positions of power by acting as mediators between natural resources in their country and external markets, while governments were interested in gaining revenues through taxes, royalties and duties in order to service loans they had made to finance the transportation and utilities sectors. The community of interest which ensues becomes reinforced in a mutual dependence between external and internal elites as each is the others' means to power. This is particularly the case where indigenous industrial interests are weak and become replaced by external control. This decreases the possibility that an indigenous industrially based elite may try to contend for power with powerful elites who remain oriented toward external economies. This has been a similar experience for both Latin America and Canada.

In the triangle of relationships between the U.S., Canada and Latin America, some elites from each have become commonly allied in a mutually rewarding association. It should be noted, however, that this is an alliance imposed by the nation which commands the greatest resources. These qualities should not be attributed to the 'go-between' nation which is forced to rely on the powerful member. In this sense the benefits which accrue from this intermediary role could be said to make Canada an 'affluent annex' in the sense of being a subsidiary or supplementary structure to the U.S. This does not prevent some of the more powerful members of the Canadian capitalist class from engaging in independent multinational

ventures, nor does it prevent aspiring elites in Latin America from attempting to gain independence from the U.S., particularly through political means. It is only asserting that within the international system of capitalism organized through multinational corporations that the structural relationship between the three areas is such that the U.S. is dominant, Canada enjoys the advantages of being intermediary and the disadvantage of being dependent, while Latin America loses on both counts, as long as ties remain unbroken.

U.S. hegemony at the level of international stratification within the three areas of the triangle is apparent but the power of national elites within their particular nations should not be underestimated since within Canada and Latin America important areas of decision making and important national sectors still remain. Only those sectors where powerful indigenous elites have established long term roots and are able to protect these spheres of influence with legislation does national control remain predominant.

Two levels of inequality have been focused on here; the inequality between nations and inequality within nations. It has been argued that each of these types of inequality is related and reinforced by the other. It has also been argued that the distributive mechanism which dominates economic relations between the U.S., Canada and Latin America is the multinational corporation which serves as a means of withdrawing resources, capital and decision making power from underdeveloped areas. The result of this withdrawal means that within the existing economic structure these areas will not generate internal capital needed to break out of the cycle. Rather, they will continue to be dominated; this is the character of foreign direct investment and its modus operandi, the multinational corporation.

The political consequences for this dominance are important in two respects; sectors which are dominated by multinationals are being developed for their requirements and not in terms of developing an integrated national economy and second, the degree of freedom for decision making by political elites within these nations has been eroded. It does not appear that economic solutions within the capitalist framework to dependence on powerful corporations will work. However, it is possible that political

solutions may break the chain, although there are many contingencies preventing this from occurring and succeeding. Besides their own internal strength, multinationals are able to call on their parent governments to exercise the power of political or military intervention, as well as alliances they have established with powerful political and economic elites within the nations in which they operate.

Since Canada's economy is at once developed and underdeveloped, its economic elite is both powerful and dependent. The question of Canada as 'exploited or exploiter' is poorly posed since its elites exhibit both qualities.

Summary

If a broad view is taken on the world order, it is clear that Canada's position is firmly among the advantaged. - It will not do to argue that this is not so because there are so many poor and deprived in Canada, for even the U.S. with over half the world's wealth still has one quarter of its population living in poverty (see Jenkins, 1971:158). Place in the world order is based on the world distribution of resources between nations, not the inequalities of distribution within them.

Proximity to the U.S. cannot be the entire explanation of Canada's intimate relationship with the U.S. But proximity has facilitated the bringing together of the two economies. Without resorting to geographical determinism, the geographical fact of Canada's shared border with the U.S. remains important. It is important because it facilitates the ready transport of raw materials from Canada to the U.S., it facilitates a continental rather than national commodity market and, in the political-military sense, it prevents, within certain bounds, an autonomous Canadian world stance.

As suggested earlier, there is a tendency to conceptualize international relations exclusively in terms of nations but for a more detailed analysis of the continental system it is necessary to examine the relations of specific corporations and specific class fractions. Elements of the Canadian capitalist class have become internationalized and are international powers in their own right while other elements are internationalized through their relations with foreign controlled corporations. There are yet other elements relatively autonomous from the internationalized sectors

but not unaffected by them. However, in a broad view, it would not be correct to view Canadian capitalists as imperialist in their own right. To the extent that they have participated in foreign investment, it has been largely in the backwash of the U.S. and in remnants of the old British empire. In some areas, particularly banking and life insurance, they have become important international actors but not on the scale, or with the political-military support from the Canadian state that they could be considered independently imperialist. Were the U.S. umbrella to collapse, as the British empire did earlier, they would be caught in the backwash.

In Canada the separation of power between the Canadian economic elite and the U.S. economic elite operating in Canada is not such that a 'countervailing' situation exists. Rather, they tend to reinforce one another under one continental economic system in which the U.S. economic elite dominates.

CHAPTER SIX

Continental Corporate Structures and Interlocks

Investigation of economic concentration, ownership ties and corporate interlocks are three approaches to establishing trends and patterns in economic power relations between and within Canada and the U.S. This chapter will explore each of these approaches by comparing contemporary developments within the two countries and by providing an analysis of their interpenetration in both corporate and elite terms.

I. Conglomerates, Corporate Continuity and Concentration

In the current stage of economic development in Canada and the U.S., and indeed in most liberal democracies, a pattern has emerged whereby a handful of corporations control the lion's share of the assets, revenue and profits of each key economic sector while below them are many smaller companies. Outside these key sectors typically there are a large number of small firms (compared to the giants) that are highly competitive with each other. However, built into capitalism is the general tendency for capital to congregate into fewer and fewer larger units.

Two concepts relating to these economic processes require clarification. The first is concentration which refers to the result of two processes, consolidation and growth. With concentration, the scale of economic control increases by gathering resources within a few companies and reducing the number of companies. This can be caused by a few firms growing faster than the others or by the 'horizontal' merging of several firms in the same activity to form one large company. The second is centralization, which refers either to one firm 'vertically' integrating companies in related economic activities (like raw materials, transportation, production or distribution) or to several firms forming consortia (joint activities) to undertake specific activities in which they all share. Both processes have the effect of lodging economic power within a few dominant corporations.

As the forces of concentration and centralization work themselves out, the areas controlled by dominant corporations expand, impinging on the ability of competitive sectors and corporations to survive. Following from these forces, three types of economies can be delineated in liberal

democracies: the competitive sector characterized by high labour intensity and low capital and productivity, instability and low unionization and wages (for example, service industries); the monopoly sector which is characterized by high capital and output per worker, large scale production and markets, with high wages and unionization, stability and planning (for example, the automobile industry); and finally, the state sector which includes both direct state economic activities (like crown corporations) and those under contract to the state (like road construction) (see O'Connor, 1973:13-18). The three types of economies can, in J.K. Galbraith's terms, be reduced to two systems--the "market system" and the "planning system" (1973). Within the planning or monopoly sector, there are both private and public corporations, although the latter are of more importance in Canada than in the U.S. which prefers to 'prime' the private economy by means of contracts and subsidies.

In spite of concentration of capital within dominant sectors, there persists a class of small businessmen--particularly in retail trades but also in activities like insurance agencies--which helps to provide an impression of competition to an otherwise concentrated system. But even within the traditional activities of small businessmen, there is a growing absorption into the realm of big business. Franchises, agencies, chains, etc. all provide an element of openness, competition and entrepreneurship but not power. In terms of the overall direction of the economy, it is the commanding peaks, the dominant corporations, that set the tone and direction by owning and controlling the majority of the capital, sales, profits and labour force. What was once a local merchant is now often a corner store, part of a larger chain, owned by a corporate complex but administered by a local manager who is, in turn, accountable to corporate executives. The manager may earn as much or even more than the local merchant, but does not have the same control over the enterprise--the hours, the merchandise, the prices or even the location. Backed by a corporate complex, the local manager has access to greater corporate reserves or borrowing power from the bank. But in the end, the local manager does not have the same accumulated assets to sell off and retire on, nor can he pass it on to his children. These privileges now pass to the owners of the complexes themselves, to the economic elite that gives direction and derives the greatest benefits from corporate capitalism.

Conglomerates, Mergers and Acquisitions

The historical transformation of corporate capitalism was stressed earlier, as were the major merger movements at the turn of the century, in the 1920s and immediately after the Second World War. The mid-1960s again witnessed another peak period, this time serving both to centralize control and increase concentration as mergers occurred faster than economic expansion. According to Mueller's analysis of the U.S., "Practically all of the increase between 1947 and 1968 in the top 200's share of industrial assets is directly attributable to mergers" (1970:331; also see Liebhafsky-1971:178). The importance of mergers to the growth of dominant corporations is evident in Nelson's finding that, of the top 100 manufacturing companies, "more than three-fifths had at least one important merger at some time in the company's history" (1959:4). The following table provides detailed information on recent U.S. mergers and acquisitions of companies valued at over \$10 million.

TABLE THIRTEEN
U.S. Mergers and Acquisitions:
Manufacturing and Mining, 1960-1971

Year	Total	Acquisitions Over \$10 Million		
		Number	Horizontal & Vertical	Conglomerate
1960	844	64	20	44
1963	861	82	25	57
1964	854	91	32	59
1965	1,008	91	27	64
1966	995	101	22	79
1967	1,496	168	27	141
1968	2,407	207	32	175
1969	2,307	155	29	126
1970	1,351	98	12	86
1971	1,011	66	8	58

(Source: Statistical Abstract of the United States, 1974:491, Table 809)

The late 1960s simultaneously experienced an increasing number of mergers, an increase in the number of acquisitions valued at over \$10 million and a dramatic increase in the proportion of these large mergers that were conglomerate in nature rather than of the more traditional horizontal and

and vertical types. Among the largest U.S. mergers and takeovers¹ have been the takeover of Consolidated Coal by Continental Oil, Douglas Aircraft's merger with McDonnell Aviation, Atlantic Refining's merger with Richfield Oil and then with Sinclair Oil, the combination of Getty Oil with S. Kelly Oil and Tidewater Oil, Montgomery Ward's takeover of Container Corporation of America, Chase National Bank's takeover of the Bank of Manhattan to form Chase Manhattan, Manufacturers Trust's merger with Hanover Bank to form Manufacturers Hanover, Guaranty Trust's merger with J.P. Morgan to form Morgan Guaranty, Chemical Corn Exchange's takeover of New York Trust to form Chemical Bank, Armour's takeover by Greyhound, Jones & Laughlin by LTV and Continental Banking by ITT.

According to the Economic Report on Corporate Mergers, "The Federal Trade Commission has calculated that expenditure on acquisitions has arisen from less than 5 per cent of new corporate investment in the early 1950s to over 50 per cent by 1968" (in Bannock, 1971:101). Thus the principal means of growth has shifted from creating new economic activities to buying out the activities of others. And as the above table illustrates, the major means of doing this has become the conglomerate merger.

Didrichsen locates the movement to conglomerate diversification in the post-World War Two era, suggesting surplus capital and pressure from anti-trust legislation as reasons for this development (1972:216-217). Anti-trust presses corporations away from buying companies in their own sector, thus leaving conglomerate acquisitions as an alternative capital outlet. There are two conglomerate strategies; one type is where a company finds that its primary product line is either stagnating or in decline and relies on diversification to supplement the original line while the other type is more aggressive and entrepreneurial, starting with a major holding company and making diverse acquisitions as means of rapid growth. Examples of the first type would be Beatrice Foods, PepsiCo or Philip Morris, each of which has diversified from its primary activity while the 'true' conglomerate includes companies like Gulf & Western, ITT, Textron and Trans-America Corporation whose activities are extremely varied within each company. Be-

¹The largest mergers and takeovers are not the only ones of importance. For example, Beatrice Foods (a dominant U.S. company) acquired over 400 relatively small companies during the past 25 years on its road to the top (see Fortune, April 1976:2).

tween 1966 and 1970 alone, 72 industrials from the Fortune 500 disappeared because of these developments (May 1975:239).

In Canada there has also been a definite movement toward conglomerates, particularly with holding companies like Argus Corporation and Power Corporation, but including such traditional companies as Canadian Pacific.² Some of Power Corporation's holdings include Canada Steamship Lines, Consolidated-Bathurst, Great-West Life Assurance, Investors Group, Imperial Life Assurance, Laurentide Financial and Montreal Trust. Within the Argus Corporation group are British Columbia Forest Products, Dominion Stores, Hollinger Mines, Massey-Ferguson and Standard Broadcasting. Canadian Pacific includes Canadian Pacific Investments, Canadian Pacific Steamships, Canadian Pacific Transport, Cominco, Great Lakes Paper, Marathon Realty and Pan Canadian Petroleum, to name but a few. Unlike the U.S., there is very little pressure from anti-trust laws to encourage conglomerates. Rather, the reasons here appear to be the financial gains to be made from buying and selling companies, the security of diverse holdings and the power that can be wielded by pyramiding.³

The master craftsman in this has been Paul Desmarais of Power Corporation who, "with his seventy companies and nearly \$7 billion in assets, has yet to establish a single new enterprise" (Newman, 1975:64). The conglomerate organization means a combination of decentralized management and centralized control. For example, Power Corporation exercises fiscal and appointment control over its many companies, such as Canada Steamship Lines (CSL). While it is not likely that Paul Desmarais gets involved in the scheduling of CSL's ships, it is evident that he is able to regulate how many ships, the level of service and other activities by controlling the

² There are also examples of diversified operations by industrial corporations. For example, John Labatt's received 52 per cent of its gross sales from brewing in 1974, 26 per cent from consumer products (Catelli, Laura Secord) and 22 per cent from industrial products while Molson Companies received 48 per cent from brewing, 20 per cent from consumer products and services, 29 per cent from retail merchandising (Safeway, Beaver, Aikenhead) and 2.5 per cent from petroleum marketing equipment (Financial Post, November 29, 1975:17).

³ Pyramiding is the practice of one company using various 'tiers' of companies to control companies worth many times the original investment. For example, if one company owns 51 per cent of another company which in turn owns 51 per

fiscal purse strings and hiring someone capable of effectively organizing the scheduling and management or replace them if they fail to do so. Even the process of attempting to add to a conglomerate's holdings can be a lucrative business. For example, in November 1974, Abitibi Paper, after a battle with Power Corporation, gained control of Price Company, making Abitibi the world leader in newsprint manufacturing. But in the process, Power still gained in the deal. Consolidated-Bathurst, controlled by Power Corporation, "the corporation that Abitibi finally outbid to gain control of Price, made a profit of perhaps \$10-million in the course of losing the battle by selling Thursday afternoon a bloc of Price stock it had acquired only Tuesday night as part of its own take-over bid" (New York Times, November 25, 1974:47).

In another respect the conglomerate movement has important implications for the operation of the continental economy. Vertical and horizontal mergers and expansion, as has been illustrated historically, made specific Canadian markets and resources vulnerable to U.S. control but conglomerate expansion makes virtually all Canadian economic enterprise (aside from those protected by legislation like banks, insurance and mass media) susceptible to takeover. One thing which should be stressed, because of its later importance, is that mergers, acquisitions and especially conglomerate takeovers, do not necessarily displace the owners and senior managers of smaller companies taken over. These people are often absorbed into the new larger organization and, as often occurs in these transactions, the owners of smaller concerns often become substantial shareholders in the new corporation as a result of an exchange of shares. Similar developments can, and do, occur when foreign companies buy out Canadian operations thus integrating Canadian capitalists further into an international system, rather than displacing them altogether.

Continuity Among Top Corporations

In light of these processes of concentration and centralization, what continuity is there among the largest corporations? U.S. financial corpor-

cent of a third company, the first company has a controlling interest in the third at only a fraction the investment required to own it directly. The rest of the investment comes from minority owners.

porations of consequence today were established earlier than industrials --for instance, the ancestors of three banks, the Bank of New York, the Chase Manhattan Bank and the First National Bank of Boston, were all established just following the American Revolution (1776)—but at the turn of the century, U.S. industrials proceeded to 'catch up' rapidly. This was the era of movement from entrepreneurial to corporate capitalism. The same proportion of large U.S. corporations now date from the first decade of this century or earlier, whether industrial or non-industrial, including about four fifths of each.

The patterns within Canada are similar with respect to non-industrials but industrials did not experience the same 'catch up' as in the U.S.; a phenomenon already dealt with extensively.

Much less work has been done in Canada on concentration and continuity within top corporations. However, it was found that when the 183 dominant corporations from 1951 were compared with the 113 of 1972, at least 41 of the earlier ones were reduced to 17 dominant companies through acquisition or merger (Clement, 1975:126).

Several attempts have been made to determine the 'survivorship' of top U.S. industrial corporations over an extended period of time (see Kaplan, 1964:136-163; Chandler, 1969:290-297). They have taken the largest 100 industrials for various periods to see how many continue on the list for later years. Generally, the survival rates have been quite high. Taking the 1960 list, about a third of the top 100 from 1909 remained, half of those from 1919, three fifths from 1929 and three quarters from 1948. Approaching this somewhat differently, and taking the top 100 from 1974, it was found that 28 had been on the 1909 top 100 list, 42 on 1919 or earlier, 53 on 1929 or earlier, 65 on 1948 or earlier and 77 on 1960 or earlier. Some of the predecessors of the 23 remaining 'new' entrants may have appeared in the top 100 before but it was not possible to trace them. Thus, among the largest 100 U.S. corporations, there has been a fairly high degree of continuity with over half the current 100 being among the top 100 before 1930.

Of the 22 current Fortune 500 industrials that did not exist in 1954, none are in the current top 100, six are in the next 100, five in the next, three in the next and eight in the bottom range of the smallest 100 (May 1975:

241). The following figure illustrates the degree of continuity among the largest 500 of 1954 and 1974.

FIGURE ONE

Survival Among the Fortune 500, 1954 to 1974

(Source: Fortune, May 1975:238)

Transforming these numbers to percentages, it can be seen that 57 per cent appear on both lists plus 32 per cent of the 1954 top 500 merged with companies on the 1974 list, accounting for about 90 per cent of all the earlier top 500. Of the remaining, 0.6 per cent had gone out of business, 9.4 per cent were too small to be listed, 0.8 per cent were no longer industrials and figures were not available for 0.4 per cent. Viewed either way, there is a great deal of continuity among the largest U.S. industrials when 90 per cent of the current largest 500 have sprung from the largest 500 of 20 years ago.

Corporate Concentration in the U.S. and Canada

Paralleling other developments, concentration within the 500 largest industrial corporations has also been occurring apace, now accounting for a greater share of the total market. "Their share of total industrial sales rose from around half in 1954 to around two-thirds" by 1974 and their portion of earnings rose "from two-thirds to three-quarters over the two dec-

ades" (Fortune, May 1975:241). For a similar period (1955 to 1970), Barnett and Muller calculate that the proportion of those working in manufacturing and mining in the U.S. employed by the top 500 rose from 44.5 to 72 per cent (1974:230). While mergers do not account for all of this increased concentration, their impact is nevertheless crucial. According to Felton's data for 1968, "the mining and manufacturing assets acquired by merger were equal to approximately 45 per cent of the new investment...the role of mergers in exacerbating the problem of over-all concentration of economic power is clear and unmistakable" (1971:233; also Preston, 1964:66). Data reported by Andreano reinforces this point,

if the largest 200 companies of 1968 had made no mergers between 1947 and 1968 their share of total manufacturing sector assets would have risen from 42.4% in 1947 to 45.3% in 1968. The actual change in proportion of total manufacturing assets held by the largest 200 firms of 1968 between that date and 1947 was 60.9% from 42.4%. Thus mergers alone accounted for 15.6 of the 18.5 percentage point increase (1973:introduction).

Given the 'natural' tendency for population--and hence markets-- to expand, this would suggest that there should be a 'natural' tendency to diffusion of power by creating more economic units to service the expanding market. However, the overall process is the reverse during the advanced stage of capitalism. The largest economic units themselves tend to expand more rapidly than the market, so there is the phenomenon of the largest 200 manufacturers in the U.S. accounting for 30 per cent of value added in 1947 and 43 per cent in 1970--in spite of population expansion of some 40 per cent. Thus fewer corporations account for a greater proportion of an even greater market. According to the U.S. Federal Trade Commission, Bureau of Economics data, the 100 largest manufacturing corporations in 1972 held 48 per cent of all assets of such companies. Increasing concentration is reflected in the fact that the top 200 corporations in 1950 also held 48 per cent (while the top 100 held 40 per cent) (Statistical Abstract of the United States, 1974:487, Table 798). This process is reflected in the following table.

TABLE FOURTEEN

Share of Assets Held by the Largest
U.S. Manufacturing Corporations, 1950-1972

	(percentages)					
	1950	1955	1960	1965	1970	1972
100 largest	39.7	44.3	46.4	46.5	48.5	47.6
200 largest	47.7	53.1	56.3	56.7	60.4	60.0

(Source: U.S. Federal Trade Commission, Bureau of Economics: Statistical Abstract of the United States, 1974:487, Table 799)

The pattern of growth among the very largest corporations is again evident in the following table, confined to manufacturing corporations with assets greater than \$1 billion.

TABLE FIFTEEN

U.S. Manufacturing Corporations
with Assets Over \$1 Billion, 1960-1973

	1960	1970	1973
Number	28	102	124
Per Cent of Assets	27.6	48.8	52.9
Per Cent of Profit	37.1	51.9	52.6

(Source: U.S. Federal Trade Commission, Quarterly Financial Report for Manufacturing Corporations: Statistical Abstract of the United States, 1974: 488, Table 801)

Therefore, any analysis that confined itself to the manufacturing corporations in the U.S. with assets over \$1 billion would only have to take 124 corporations into account and these corporations control over one half of all the assets and profits of all manufacturing in the U.S.

While the U.S. economy is concentrated, it is not nearly as concentrated as Canada's. The U.S. economy is generally much more diffuse than Canada's. Its scale is much larger, about eleven times that of Canada, while its extent of concentration is much lower than Canada's.⁴ However,

⁴"Canadian manufacturing industries are much more highly concentrated than corresponding United States industries. Thirty-four per cent of Canadian manufacturing shipments in 1964 came from industries in which eight or fewer firms accounted for eighty per cent of the total value of industry shipments. Only 13.7 per cent of United States manufacturing shipments came from industries concentrated to that extent," (Government of Canada, 1972:217). This confirms an earlier study by Gideon Rosenbluth for 1947-48, who found that "in 50 of the 56 industries for which a comparison of firm concentration can be made, concentration is higher in Canada than in the United States" (1954:336).

3 5
OF/DE

its scale does not contribute as greatly to its diffuseness as might be expected by population alone. Moreover, and keeping with the spatial metaphor, room in the U.S. economy is facilitated by its wide ranging markets and outlets outside the U.S. which permits a good deal more manoeuvrability within the U.S.

While it is correct to note that the extent of concentration in Canada is higher than for the U.S. (the hundred largest manufacturers account for 46 per cent of the value added in Canada and 33 per cent in the U.S. for 1965) (Concentration in Manufacturing Industries of Canada, 1971:5-6), it is also important to point out that at least part of Canada's concentration in manufacturing and resource extraction is accounted for by the presence of U.S. companies. That is, since there is a tendency for only the largest U.S. firms to enter Canada, these tend to congregate at the top of Canada's economy and be much larger than Canadian firms in general. Thus, in the sphere of production, the higher degree of Canadian concentration is in large part a product of U.S. direct investment and a further distortion of the Canadian economy because of uneven development.

This is evident in the following table (and it will be shown later that these data likely understate the size of U.S. companies operating in Canada).

TABLE SIXTEEN
Average Major Characteristics of Corporations
in Canada by Control, 1972 (non-financial)

	(\$ thousands)		Ratio
	Foreign (1)	Canadian (2)	Foreign/Canadian (1/2)
Assets	9,641	2,458	3.9
Equity	4,774	895	5.3
Sales	10,294	2,303	4.5
Profits	756	134	5.6

(Calculated from CALURA Report for 1972, 1975:17, Statement 1)

The only sector reversing this trend reported by the Corporation and Labour Union Returns Act Division of Statistics Canada (CALURA) is public utilities where foreign companies average \$34.4 million assets and Canadian \$60.7 million. Of course, banks and insurance not reported to CALURA would also reverse the trend. Outside these areas, the pattern is clear. Foreign controlled firms operating in Canada are on average four times as large by as-

sets, over five times as large by equity, four and a half times as large by sales and almost six times as large by profits compared to Canadian controlled corporations. Since the U.S. accounts for 80 per cent of foreign direct investment in Canada, the only conclusion must be that U.S. branches add to concentration within Canadian industry.

Having examined the questions of conglomerates, continuity and concentration, it is now important to turn to analysing their implications for the continental economy.

II. Dominant U.S. Corporations and Their Canadian Relations

Previous chapters have analysed the United States' relationship to Canada primarily in terms of aggregate financial statistics.² It is now important to examine more specifically the current structure of this relationship. This will be done by identifying the 194 dominant U.S. corporations and studying their Canadian operations. This will be within the context of the nature of concentration and centralization in U.S. corporations. By contrasting the continental and multinational operations of these dominant corporations, it will be possible to come to a better understanding of Canada's particular place within the U.S. sphere of influence.

While the 113 dominant Canadian companies⁵ will also be analysed here, the focus will be on U.S. dominants since they are the ones primarily determining the nature of the continental economy. A summary of the methodology used to determine these dominant corporations is provided in Appendix V while the detailed listing of dominant U.S. corporations by sector is in Appendix VI. The following table provides a summary of the Canadian operations of U.S. dominant corporations by sector and its findings will be discussed in each of the following sections.⁶

⁵ A more thorough analysis of the 113 Canadian dominants is provided in Clement, 1975:Chapter Four.

⁶ Information and data contained in the following sections on corporate sectors that is not footnoted was derived from personal correspondence or interviews with corporate executives of the companies concerned.

TABLE SEVENTEEN

Number and Proportion of 194 U.S. Dominant Corporations
With Dominant and Other Subsidiaries in Canada, 1974

SECTOR	Number of Dominant U.S. cos.	Number With Can. Subsid.	Number of Can. Subsid.	Dominant Canadian Subsid.*	Per Cent With Canadian Subsid.
<u>Finance</u>					
Banks	20	8	11	0	40
Life Insurance	9	6	11	2	67
Other Finance	<u>6</u>	<u>6</u>	<u>8</u>	<u>0</u>	<u>83</u>
Total Finance	35	19	30	2	54%
<u>Trade</u>	10	6	8	5	60%
<u>Transportation</u>					
Railways	8	1	1	0	13
Airlines	7	0	0	0	0
Other	<u>2</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>50</u>
Total Transportation	17	2	3	0	12%
<u>Utilities</u>	16	6	9	2	38%
<u>Resources</u>					
Metal Mining	2	2	12	0	100
Oil & Gas Extraction	<u>11</u>	<u>11</u>	<u>25</u>	<u>10</u>	<u>100</u>
Total Resources	13	13	37	10	100%
<u>Manufacturing</u>					
Food	9	9	47	0	100
Beverages	2	2	3	0	100
Tobacco	3	2	7	0	66
Textiles	1	1	6	0	100
Apparel	1	0	0	0	0
Paper & Wood	7	7	14	2	100
Chemicals	9	9	31	0	100
Petroleum Refining	9	9	40	2	100
Rubber	5	5	5	0	100
Pharmaceuticals	4	4	19	0	100
Soap & Cosmetics	2	2	3	0	100
Glass, Cement & Concrete	2	2	6	0	100
Metal Manufacturing	14	13	34	0	93
Metal Products	3	3	6	0	100
Appliances	5	5	17	2	100
Measuring, Scientific	2	2	8	0	100
Motor Vehicles & Parts	5	5	13	4	100
Aircrafts & Parts	7	7	10	1	100
Farm & Industrial Mach.	4	4	7	0	100
Office Machinery	5	5	13	1	100
Other Machinery	<u>4</u>	<u>4</u>	<u>14</u>	<u>0</u>	<u>100</u>
Total Manufacturing	103	100	304	12	97%
TOTAL of all	194	146	391	31	75%

*Number with subsidiaries or majority held affiliates among 113 dominant Canadian Corporations (see Clement, 1975:400-433)

Financial Corporations

Of the 35 dominant financial institutions in the U.S., the 20 banks stand out as most important and within these, the big three (Bank America, Citibank and Chase Manhattan) tower among even the giants. These 20 banks control 42 per cent of the assets and 41 per cent of the deposits of all banks in the U.S. while the next 30 largest banks add only another 13 per cent to the total assets and 12 per cent to the deposits.⁷ Thus, there are three extremely large banks, 20 dominant banks and then a myriad of smaller ones. By way of contrast, in Canada there are only ten banks, with the five dominant ones accounting for over 90 per cent of all banking activity. Of all the sectors in the U.S. economy, the dominant banks have the greatest average assets (\$17.651 billion).⁸ The long historical trend of concentration within the U.S. banking system has been proceeding rapidly. Between 1960 and 1973, banks with over \$100 million assets have acquired 525 other banks, 223 with assets under \$10 million, 182 with between \$10-25 million, 65 between \$25-50 million, 25 between \$50-100 million and 30 with over \$100 million assets (U.S. Comptroller of the Currency, Annual Report: Statistical Abstract of the United States, 1974:451, Table 724).

Listing dominant banks does not, however, reveal the community of interest among the banks themselves. The Patman Report's investigation of banks reveals that U.S. banks can and do hold each others' stocks. For example, in 1966, the six largest banks held the following proportions of each others' stocks: Chase Manhattan 12.4 per cent, First National (Citibank) 15.9 per cent, Manufacturers 12.4 per cent, Chemical 16.3 per cent, Morgan Guaranty 15 per cent, Bankers Trust 21 per cent (reproduced in Fitch and Oppenheimer, 1970, I:98). Clearly, this serves to cut across the relative autonomy of each and produces a community of interest among the largest bankers.⁹ Added to this are a series of areas where joint ownership and

⁷ Data on concentrations for this and the following sections can be found in Appendix V which also lists the dominant corporations and their respective statistics.

⁸ A comparison of the average size of dominant corporations for each sector is provided in Appendix VII.

⁹ Life insurance companies in Canada have extensive holdings in Canadian banks, ranging between 4 and 11 per cent of the stock in the banks with the largest individual holdings ranging between 1 and 4 per cent (Financial Post, November 15, 1975:17).

investment prevail. This is illustrated in the following table of real estate investment trusts held by nine of the dominant banks.

TABLE EIGHTEEN
Real Estate Investment Trust Credits
Held by Nine U.S. Banks
(\$ millions)

	Chase Manhattan Mortgage & Realty Trust (41 banks)	Continental Mortgage Investors (83 banks)	First Mortgage Investors (100 banks)	Citizens Southern Realty Investors (33 banks)
Chase Manhattan	150.0	18.9	14.5	12.1
Bankers Trust	33.9	52.7	27.5	32.6
First Chicago	38.3	22.1	33.5	6.0
Citibank	42.7	--	28.5	24.1
Continental Ill.	43.9	28.3	33.5	18.1
Chemical	27.7	42.7	34.8	12.1
Manufacturers	28.9	39.9	6.0	18.1
Bank America	27.7	10.5	8.0	18.1
Morgan Guaranty	27.7	16.8	5.0	24.1
Total nine banks	420.8	231.9	191.3	165.3
% nine banks	60.1%	43.6%	47.8%	50.2%

(Source: Robertson, 1975:168; Forbes, March 1975)

The interconnecting ownership and interconnecting investments of the dominant U.S. banks often makes it difficult to sort them out from each other and, as will be illustrated shortly, from industrial corporations.

Next to the banks in importance in the finance sector are the nine dominant life insurance companies. They are the second largest dominant corporations on average compared to all other sectors (with average assets of \$15.186 billion). While not having as many dominant corporations as the banks, the life insurance sector is somewhat more concentrated, with the nine accounting for 54 per cent of the assets and 47 per cent of the insurance in force of all insurance companies in the U.S. The next 41 life insurance companies, encompassing the top 50, add only 27 per cent to the assets and 25 per cent to the insurance in force of the 54 and 47 per cent controlled by the nine dominants. Thus, while the top 50 banks control 55 per cent of the assets and 53 per cent of the deposits of all U.S. banks, the top 50 life insurance companies control 81 per cent of assets and 72 per cent of the insurance in force.

Still, they are not as concentrated as their Canadian counterparts, where 13 dominants account for 86 per cent of the assets and 81 per cent of the income of all life insurance in Canada. Two of these Canadian dominant insurance companies are subsidiaries of a dominant holding company, Power Corporation, and two are operations of the two largest dominant U.S. insurance companies, Metropolitan Life and Prudential Life, ranking sixth and eighth respectively in Canada.

Like the banks, the dominant life insurance companies are also engaged in consortia. For example, in 1973 the Municipal Bond Insurance Association was formed with the following companies sharing liabilities: Connecticut General Insurance (15 per cent), Aetna Life and Casualty (40 per cent), St. Paul Cos. (30 per cent) and Crum and Forester Insurance (15 per cent) (Moody's Bank and Finance, 1974:3040).

Finally, there are six 'other finance' companies mainly engaged in consumer finance with sufficient size to be considered dominant. On the average, with assets of \$4.672 billion and operating revenues of \$1.754 billion, they are about a third the size of the dominants in banking and life insurance, but still tend to be larger than the dominants in most other sectors.

Within the U.S. financial sector, five companies stand above all the others: the three giant banks already mentioned and Prudential and Metropolitan Life, all with well over \$30 billion in assets. The only other corporation in their league is AT&T. Because of their tremendous assets, and the assets they hold for other corporations in trust, the dominant banks are the most important among the financial corporations. Their importance spills over into their alliance with industrial corporations and the interest groups they form. The important role of banks in the remainder of the economy will be examined in connection with other sectors, but it is worthwhile to summarize some of these relations between finance and industry.

Around the turn of the century, banks led the financial thrust in the movement to corporate capitalism and interest groups were formed around giant wholesale banks and key families. For example, "the Mellons formed their Mellon National Bank to control their aluminum monopoly, Alcoa and their Gulf Oil; J.P. Morgan formed J.P. Morgan & Co. to control his U.S.

Steel and General Electric; and Rockefeller had the Chase National Bank for his Standard Oil" (Pelton, 1970:18-19). Many of these early interest groups continue to persist today. As argued earlier, a parallel thrust to corporate capitalism came from industrial corporations but with the rise of corporate capitalism and the merging of financial and industrial corporations, the relationship between banks and industrial corporations began to be complementary.

Today, many of the largest banks hold large portfolios of industrial stocks, provide loans for expansion and various other financial services. Recent detailed investigations by the Patman Committee (a subcommittee for the Congressional Committee on Banking and Currency) illustrate the intimacy of the relationship and question the extent of separation between ownership and control, an issue to be discussed in later chapters. The Patman investigators found that, "the number of industrial companies in the Fortune 500 largest industrial list having 5 per cent or more of their common stock held by one or more of the 49 banks in the Subcommittee survey is 147...In addition, there are 17 merchandising companies and 17 transportation companies out of the 50 largest in each category" (1968:18). When they applied their findings to list corporations previously classified as managerial run, they found that a quarter of those 'managerial' corporations had substantial portions of their stocks held by the top banks.

In addition to their own holdings of \$577 billion in corporate securities in 1971, U.S. banks held another \$336 billion in trust, constituting 22 per cent of all the outstanding voting shares of all public corporations in the U.S. in 1971 (Barnet and Muller, 1974:233-234). A further measure that brings the top banks into the industrial sphere, apart from interlocking directors (to be discussed later) is the formation of the one bank holding company whereby the largest banks have become subsidiaries of parent holding companies. As Fitch and Oppenheimer have shown, "The new structure enables banks to engage in a number of activities previously forbidden to them: control of insurance companies and mutual funds, operation of leasing companies in trucks and computers" (1970, I:104-105). Major banks have also kept apace with the recent conglomerate movements, assisting companies like ITT and Gulf & Western; they "financed acquisitions, furnished key financial personnel to conglomerates, and were even willing

to clean out stock from their trust departments to aid in takeover bids" (Barnet & Muller, 1974:239-240).

As suggested earlier, banks have also been expanding their foreign operations, both independently and to service the needs of other U.S. multinationals. "Between 1965 and 1972, U.S. banks more than tripled their foreign locations from 303 to 1,009" (United Nations, 1974:14-15). Only Citibank has a direct affiliate bank in Canada, the Mercantile Bank (which ranks ninth in Canada and is not dominant). U.S. banks are nevertheless important in the Canadian capital market. When U.S. and other international financiers operate in Canada, there is a clear pattern in their crossing sectors from finance to resource and hydro activities. The two strongest and most important examples of this are Brinco and James Bay. In hydro, their major involvement is with the state and bonded debt; this has provided them with access to provincially controlled resources. Robert Davis and his colleagues give some indication of this:

For lined up behind the James Bay project--which includes not only "electricity but also the possibilities for tapping the mineral deposits of the Quebec north and the hard-earned cash of the Quebec taxpayer--is an awesome array of economic power which includes the largest financial houses in the world, such as the Morgan Group, the Humphrey-Hanna Group, the Rockefellers, the Rothschilds and the near-infinite web of their corporate connections (1974:96).

A similar pattern exists with Brinco, controlled by Rio-Tinto Zinc, a part of the House of Rothschild, and also associated with the House of Morgan. Top U.S. financiers are also important for many other Canadian and U.S. companies. For example, Morgan Stanley & Co., the New York investment banker that represented the International Nickel Company of Canada recently in its battle for control of ESB Inc. (the world's largest battery maker), also provides the service of raising capital through stock and bond issues. Among its clients are six of the top ten U.S. industrials and 11 of the top 20, including AT&T, Exxon, General Motors, Texaco, Mobil, General Electric, IBM and U.S. Steel (see New York Times, May 25, 1975:Section 3:1, 10).

Canadian bankers have been active in encouraging U.S. capitalists to enter Canada, as the following report on a New York Investors Conference in March 1971 illustrates:

Eight top Canadian bankers appealed to U.S. financiers yesterday to step up investment in Canada. The bankers indicated they will fight Canadian government moves to restrict foreign capital...The panel answering questions from 300 influential U.S. money managers include G. Arnold Hart, chairman of the Bank of Montreal; W. Earle McLaughlin, chairman and president of the Royal Bank; Allen Lambert, chairman and president of the Toronto-Dominion Bank...J.P.R. Wadsworth, deputy chairman of the [Canadian] Imperial Bank of Commerce; Thomas Boyles, deputy chairman of the Bank of Nova Scotia (Toronto Star, March 19, 1971:1).

This adds further evidence to the argument that Canadian financial capitalists have actively promoted U.S. investment and fought to keep barriers to that capital to a minimum (except, of course, on their own 'turf').

While only two dominant U.S. insurance companies have Canadian operations large enough to be considered dominant, 19 of the 35 U.S. financial dominants have Canadian subsidiaries. This includes five of the six 'other finance' dominants with a total of eight subsidiaries, six of the nine life insurance companies with 11 subsidiaries and eight of the 20 banks with 11 subsidiaries in Canada. As is evident from Table Seventeen, at the beginning of this section, only 54 per cent of the dominant U.S. financial companies have any Canadian subsidiaries, much lower than either resource or manufacturing companies. The direct operations of the dominant U.S. banks in Canada are primarily in the area of leasing and confined to the top ten dominants. While six of the ten largest have leasing operations in Canada, only two of the next ten largest engage in this activity. In addition to its holding in the Mercantile Bank, Citibank also directly controls Citicorp Leasing International; First Chicago has First Chicago Leasing of Canada; Continental Illinois has 50 per cent of Builders Financial Co.; Chemical New York has Chemco Leasing; Chase Manhattan has Gorwin Properties; Bankers Trust has both Killifreth and Ontamont Co. One of the most interesting alliances is that Bank of America has a 49 per cent interest in North Continental Capital Ltd., a commercial and industrial leasing company while Laurentide Finance, a subsidiary of the Canadian dominant, Power Corporation, holds a 51 per cent interest. Bank of America also has a substantial holding in Montreal Trust, another Power Corporation subsidiary (see Moody's Bank and Financial Manual, 1974:420-422). Power has no

problem operating in the continental economy. More will be said about the role of financial institutions but first, the other sectors and dominant corporations will be reviewed.

Trade Corporations

There are ten dominant U.S. companies in the trade sector, with average assets of \$2.42 billion and sales of \$5.353 billion, smaller than the financial companies but about the same as companies in other sectors. Towering above the other nine is Sears, Roebuck with assets over \$10 billion and sales over \$12 billion. Sears, Roebuck has entered into a joint venture with Aetna Life and MAFCO Inc. (a division of Marshall Field & Co.) to build a \$250 million land development (Moody's Bank and Finance Manual, 1974:3200). While the retail trade sector is traditionally one of the most competitive, there is evidence that the competitive spirit does not loom large among the dominants. For example, that 'rival' dominants attempt to meet each others' prices rather than compete is illustrated in a recent Joint Economic Committee of the Senate House inquiry into Safeway and Great Atlantic and Pacific. Prices on three quarters of the items were identical and W.S. Mitchell, president of Safeway, admitted they check on each others' prices (New York Times, December 18, 1974:67).

While the primary activity of retail trade companies is clear, they too have been engaged in the process of centralization for some time. For example, since the early 1950s, Sears, Roebuck has held "stock interest in a number of firms (forty-six companies with 109 factories in 1954) selling large portions of their output to Sears...including Whirlpool (8.5 per cent), whose sales to Sears (two-thirds of Whirlpool's output) gave them the largest single share of the home-laundry equipment market, George Roper Corp. (59 per cent), Armstrong Rubber (8.8 per cent), Globe-Union (12 per cent), and Kellwood Company (18.3 per cent)" (Averitt, 1968:66-67). Just as multinational corporations have reduced much of the meaning given to the word 'trade' because of their intracompany transfers across nations, so too does the interlocking ownership pattern between retail and manufacturing companies reduce the effect of the 'market place'. Small suppliers become dependent upon dominant retailers without whom they could not survive.

As was demonstrated earlier, only half of the ten dominant trade companies are multinationals. A similar breakdown occurs in terms of their continental ties. One of the multinationals, Marcor, does not appear to have any Canadian subsidiaries but the other four (Sears, Roebuck; Safeway; S.S. Kresge and F.W. Woolworth's) each has a subsidiary in Canada large enough to be dominant. (Actually, Simpsons-Sears, the Canadian operation of Sears, Roebuck, is a joint venture with Simpsons a dominant Canadian company.) W.T. Grant also has a dominant Canadian subsidiary (Zeller's).¹⁰ Great Atlantic and Pacific also operates in Canada but it is not dominant. Therefore, six of the ten U.S. dominants have Canadian subsidiaries and five of these are among Canada's 11 dominant retail trade companies (one being a joint venture).

One of the U.S. dominants, Safeway Stores, which operates 1,971 stores in the U.S., 271 in Canada and 97 other foreign stores, as of 1967 transferred its holdings in its Australian, United Kingdom and West German subsidiaries to Canada Safeway. This turns the Canadian operation into a go-between discussed as common for resource and manufacturing companies in the previous chapter.

Transportation and Utilities Corporations

There are a total of 17 dominant transportation and 16 dominant utilities companies in the U.S., with the transportation sector subdivided into eight railways, seven airlines and two 'other' transportation companies (Greyhound and Seaboard Coastline). On the average, the railways have the highest assets (\$2.866 billion to \$1.591 billion for airlines and \$1.875 billion for 'other') but the lowest average operating revenue (\$1.262 billion to \$1.383 billion for airlines and \$2.320 billion for 'other'), reflecting the difficult times railways have been experiencing recently with increasing shifts to road and air as alternative means of transportation.¹¹

¹⁰ Since this list of dominant companies was drawn, W.T. Grant, the smallest of the dominant retailers, has gone bankrupt (see Fortune, April 1976, "W. T. Grant's Last Days"). Also, since this time, Mobil Oil, dominant in resources, has absorbed Marcor Inc.

¹¹ The most dramatic impact has been on the country's largest railway and this has been documented in detail by Daughen and Binzen in The Wreck of the Penn Central (1971); also see New York Times, January 5, 1975:40).

The transportation sector has the lowest degree of multinational operations, with only Greyhound¹² meeting the definition established earlier. Only two dominant transportation companies have subsidiaries in Canada (again Greyhound and added to this, Burlington Northern, which has Burlington Northern (Manitoba) and owns 125 miles of lines in Canada and leases another 82 miles), but none are dominant in Canada. This reflects not only the general tendency for transportation companies to remain national but the fact that transportation is one of the strengths of Canadian capitalism.

The 16 dominant utilities companies tend to be somewhat larger on the average than dominants in transportation, averaging \$7.864 billion in assets and \$2.631 billion in operating revenue. This average is raised by American Telephone and Telegraph (AT&T), the largest corporation in the U.S. with assets of \$67 billion and operating revenue of \$23.5 billion.

Utility companies are intimate with the dominant banks, primarily because of their size and long term security arising from their monopoly position. For example, six of Consolidated Edison's ten largest stockholders are banks and "Chase Manhattan is among the top ten holders of 42 utilities, Morgan Guaranty Trust is among the top ten of 41 utilities, Manufacturers Hanover Trust is among the top ten of 31 utilities" (Barnet and Muller, 1974: 244). Because of the high capital costs, much of the expansion capital of utilities must be borrowed; over the last five years, "internally generated funds have provided only about 36 per cent of the industry's construction needs" (Loomis, 1975:99). In spite of concern about a recent 'utilities crisis,' there appears to be little worry on the part of the big banks. For example, Thomas O'Brien, the utility lending specialist for First National City which has over \$1 billion out in utilities loans, says, "Basically, we feel our utility portfolio is 'money-good.' Sure, on some loans we're probably not going to get paid in six months. It may take a year. But I really don't think we have to stay awake worrying about it too much" (in

¹² There was some difficulty in classifying Greyhound Corporation, one of the two 'other' transportation companies because of its extensive operations in meatpacking since its 1970 acquisition of Armour & Co., thus turning Greyhound into something of a conglomerate. However, the major operation of the company in bus lines allows it to be classified under transportation.

Loomis, 1975:186). The utilities companies can also expect support from dominant industrials, as a recent speech by Robert Kirby, chairman of Westinghouse Electric, illustrates: "The fact remains that the biggest user of electric energy is industry, which must have an adequate supply if it is to create and sustain jobs for its employees," not to mention corporate profits (New York Times, May 1, 1975:C59-60).

Utilities are second only to transportation in their tendency to remain in the U.S. Only two of the 16 are multinationals, Tenneco and El Paso Natural Gas, both oriented to resources. Slightly more venture into Canada with 38 per cent or six companies having Canadian subsidiaries and these are overwhelmingly in the natural gas area. One, Pacific Gas and Electric, holds a 50 per cent interest in a dominant Canadian company, Alberta Natural Gas. The others include El Paso Natural Gas' two Canadian subsidiaries, one subsidiary of Texas Eastern Exploration, one by Columbia Gas System and three by Tenneco, generally in search of natural resources rather than markets.

This is not to say there are no relations to Canada outside these connections of dominant U.S. utilities but the relations are of a different type. One example is the integration of Bell Canada, and particularly its major manufacturing subsidiary Northern Telecom (formerly Northern Electric), into the continental and world capitalist order. Northern has extensive multinational activities and 10 per cent of its sales are in the U.S. "Northern, Western [AT&T's manufacturing subsidiary] and ITT operate as a cartel, with ITT (in its telephone operations although not of course in its diverse interests) agreeing to stay out of North America, with Western confined to the AT&T market in the United States [since 1956, following an anti-trust consent decree], and Northern operating in Canada and having a free rein in the American independent market" (Chodos and Burgess, 1974:45).

To understand this situation, it is necessary to see that AT&T has two manufacturing subsidiaries, General Telephone & Electronics and Western Electric (which sells only to AT&T), both of which are large enough to be considered dominant in the appliance and electronics sector and both 100 per cent owned by AT&T. General Telephone & Electronics, in turn, holds 100 per cent of Anglo-Canadian Telephone which shares the Canadian telephone market with Bell Canada, owning over half of British Columbia Tele-

phone (a dominant Canadian company) and Quebec Telephone. To add to the complexity, "in 1957, Western sold a 34 per cent interest in Northern Electric to Bell Canada, bringing Bell Canada's share of Northern to 90 per cent and reducing Western's share to 10 per cent; this last chunk was gradually transferred to Bell Canada until it was sole owner" (Chodos & Drummond, 1973:44). That Bell Canada has extensive relations with AT&T reflects a reciprocity between two utilities giants facing similar problems, using similar technology and sharing common concerns. That Bell Canada continues in this relation reflects the benefits those in control see deriving from the relationship, not that it is 'dependent' on the other. If it were not mutually beneficial, Bell Canada could certainly withdraw, and if faced with difficulties, could call on the Canadian state for support. Thus the entire continental telephone system emerged from common origins and there continues to be a continental division of labour. Aside from this, Canadian capital dominates other utilities areas, particularly in hydro.

Resource Corporations

Dominant resource companies divide into two types with two dominants in metal mining (Kennecott Copper and American Metal Climax) and 11 in oil and gas extraction. These 13 dominant resource companies do not exhaust the dominant companies involved in resource extraction, since many of the manufacturing companies have resource activities as part of their manufacturing operations through centralization. The most obvious cases are the nine dominant manufacturing companies in petroleum refining. But there are also a number of manufacturing companies, to be discussed shortly, which in Canada are resource companies but whose main activities in the U.S. are in manufacturing (particularly the steel industry and its iron ore operations in Canada).

The oil and gas extraction companies, on average, are much larger than those in metal mining with assets of \$6.972 billion compared to \$1.845 billion and sales of \$6.842 billion to \$1.366 billion, and they also tend to be very large even compared to other non-financial dominants. As in many other sectors, one company stands well above the others, in this case Exxon, with assets and sales of over \$25 billion each.

The name of Kennecott Copper suggests its major activity, while AMAX

(formerly American Metal Climax) has diverse interests in coal (the fourth largest in the U.S.), molybdenum iron ore, nickel and aluminum. In 1975, Standard Oil of California, a dominant petroleum refiner, purchased 19 per cent of AMAX at a cost of \$333.4 million in cash and stock in Chevron, a Standard Oil of California subsidiary. Plans are under way to add another 700,000 shares to the 5.9 million now held (Ottawa Journal, June 2, 1975). This development is consistent with the general observations of James Ridgeway, that oil companies have been moving rapidly into other forms of energy:

By 1970 it was made plain that the oil and gas and coal companies had reorganized themselves into what was called an 'energy industry,' and were off on a new tack. Not only had the coal industry become more concentrated with ten firms controlling more than two-thirds of all production, but also nearly two-thirds of the top fifty companies were owned by companies in other industries.

Seven of the leading 15 coal producers were oil companies, including 5 of the largest. In the previous five years oil companies had increased their share of the national coal production from 7 to 28 per cent (1973:77).

Thus, there is a movement on the part of the dominant resource companies to diversify beyond a particular resource into a broad range, serving to centralize even further the resource industry and squeeze smaller independent resource companies out of the market. Resources are not the only area where oil companies have diversified. In April 1976 (after these dominant companies had been selected), Mobil Oil absorbed Marcor Inc., the parent company of Montgomery Ward and Container Corporation of America.

More than any other sector, the resource companies spread throughout the world. As mentioned earlier, 100 per cent of the dominants in this sector are multinational. It should come as no surprise to find that again 100 per cent have Canadian subsidiaries. Between them, these 13 dominant U.S. resource companies control ten of Canada's 113 dominant corporations and operate a total of 37 major subsidiaries in Canada. While neither Kennecott nor AMAX have a dominant Canadian subsidiary, this is to be attributed more to the way they organize their Canadian operations than to their size. Kennecott has five Canadian subsidiaries and AMAX seven, but neither consolidates their Canadian operations under one company in Canada; rather, all are directly owned by the parent corporation in the U.S.

In the oil and gas extraction sector, in addition to their dominant holdings in Canadian resources, these same companies also have extensive outside holdings and particularly in pipelines which tend to be consortia of U.S. dominants from this sector. The following diagrams illustrate six cases of joint ownership of pipelines.

FIGURE TWO

Joint Pipeline Ownership by Dominant U.S. Oil and Gas Companies in Canada, 1972

*Dominant U.S. oil and gas

^tDominant U.S. petroleum refining

NOTE: Percentage of foreign ownership incorporates partial Canadian holdings in subsidiaries. Other refers to companies controlled outside Canada, the U.S. or U.K.

There are other examples of this type of holding, like Sun Oil's 55 per cent holding in Sun-Canada Pipeline or the joint control of Amerada Hess, Union Oil, Gulf Oil and others in the Peace River Oil Pipe Line, but there are also joint holdings outside pipelines. The most important example of this is likely Syncrude Canada.¹³

Larry Pratt's, The Tar Sands, is a detailed analysis of Syncrude and important aspects of the oil industry in Canada. He provides important insights into the nature of control in a consortium:

Syncrude's decisions are made collectively, with the joint executive and management committees, made up of Syncrude's staff plus executives of the participants, reporting to the owning interests. Power resides in the participating owners and relatively little decision making authority or legal power is delegated to Syncrude's operations staff. All the owners take an interest in Syncrude's affairs, but within the consortium the senior partner is clearly Exxon's Canadian affiliate, Imperial Oil (1976:120).

More than any other industry, resource companies tend to form consortia. For example, the Canadian Arctic Gas Study Limited includes among its partners, fifteen dominant Canadian and U.S. companies. Dosman provides some insight into why consortia of this nature have become so popular: "Competition has been eliminated in the name of efficiency. Canadian Arctic Gas, for example, nurtured by Ottawa, solved the problem of competition by including all potential rivals. Both senior officials and corporate executives aimed for industrial stability in a partnership" (1975:214-215). Thus, centralization is achieved without concentration; rather than the giants 'fighting it out' with each other, consortia allow a stable and lucrative 'partnership.'

A Note: The International Nickel Co. of Canada (INCO)

One further company relating Canada and the U.S. in terms of resources warrants a detailed discussion. This is the complex case of the multinational International Nickel Company of Canada (INCO). With sales of \$1.685 billion

¹³ A detailed analysis of the relationship between U.S. dominants and Canadian petroleum is beyond the scope of the present discussion but a detailed analysis of Canada's energy relationship to the U.S. in terms of petroleum, gas, electricity, uranium and water, is available in James Ridgeway's, The Last Play (1973:86-108).

and assets of \$2.797 billion, INCO is larger than either Kennecott or AMAX, the two dominant U.S. metal mining companies. According to CALURA Report filed June 30, 1971, 69 per cent of INCO's shares were held outside of Canada (51,551,128 of 74,473,563 outstanding). And according to the Financial Post (August 5, 1972:9), 50 per cent plus of the shareholders were from the U.S. However, by the end of 1974, according to INCO Annual Report for 1974, "Canadian residents of record held 50 per cent of the shares outstanding, United States residents of record 35 per cent, and residents of record in other countries 15 per cent" (17). Moreover, in its Report for 1972, CALURA has decided to reclassify INCO as Canadian controlled, thus deviating from its earlier practice of classifying it as foreign controlled (1975:47, 95).

Historically, as was discussed earlier, it is clear that INCO was U.S. controlled by the Morgan interests, although without a U.S. corporation acting as its parent. As recently as 1972, 12 of its 24 directors were U.S. residents, eight Canadian, three U.K. and one other. Considered by birth, 15 were U.S. born, four Canadian, four U.K. and one other. Changes between 1972 and 1975 indicate there are now 13 Canadian residents, 11 U.S. and one other, with the pattern by birth, 11 U.S., nine Canadian and five others. In terms of shareholdings, the largest insider is G.T. Richardson with 31,500 and he is a Canadian (president of the dominant securities company, James Richardson and Sons, a vice-president and director of the Canadian Imperial Bank of Commerce, governor of the Hudson's Bay Co., and a director of Hudson's Bay Gas and Oil), and the second largest insider is H.S. Wingate with 20,095 and he is resident in New York City (a director of United States Steel, American Standard, Morgan Guaranty Trust and also in Canada, Canadian Pacific). Of the six largest individual shareholders, two are from Canada and four from the U.S., but these individual shareholdings, while important in terms of wealth, are only a fraction of the outstanding shares. A detailed analysis of institutional shareholders does not reveal a clear centre of control, although it does reveal a number of controlling interests. The largest institutional stockholder is a French trust company, Sicovam, which holds between 3-4 per cent but these investments are in trust and there is no way of determining who owns them. It is known that when all of the shareholdings with over

100,000 shares are added together, they total 50.5 per cent of INCO's outstanding stock. Moreover, some 65-70 per cent of all voting stock is voted at the annual meetings. One reason such a high proportion is voted is the practice of nominee voting. The breakdown of nominee voting is: for Canada, banks 5.4 per cent, trust companies 10.8 per cent, life insurance companies 1.5 per cent, pension funds 1.1 per cent, brokers and others 1.3 per cent, to total 20.1 per cent; for the U.S., banks 14.5 per cent, brokers and others 0.8 per cent, life insurance 1.8 per cent, to total 17.1 per cent; non-Canadian or U.S. nominees, total 13.1 per cent. Thus nominees vote 50.3 per cent of INCO's outstanding shares. Nevertheless, no clear centre of control by country emerges from all of this data. The historical tie with Morgan Stanley remains important as a means of obtaining capital and for financial support (it also conducted the takeover of ESB for INCO) but there is no available evidence to prove it remains the controlling interest. In terms of operations, the U.S. head office is still used for finance and marketing (with the main market still in the U.S.) and the Canadian head office, which is the formal head, looks after management and production.

In a sense, INCO has 'dual citizenship,' using both the Canadian and U.S. state apparatus with equal ease. For example, it found the Canadian state helpful in its recent dealings with China and the U.S. state useful for dealings with Indonesia. Thus, INCO defies classification by country; its directors and stockholders represent a leading edge of Canadian, U.S. and possibly world capitalists. It appears, after a detailed investigation, to be multinational in terms of ownership, markets, production and, to a lesser extent, its executive (who are mainly U.S. and Canadian). It is the embodiment, in one company, of continental capitalism although there is no suggestion that it represents the way most other continental corporations operate.

Manufacturing Corporations

There are 103 dominant U.S. manufacturing companies in 21 subsectors. When unconsolidated subsidiaries and the resource companies are added in, there are a total of 119 dominant industrials which can then be used to determine levels of concentration and control by dominant U.S. industrials. They have a total of \$442.88 billion in sales and \$387.035 billion in assets.

These dominants account for 66.4 per cent of all sales and 69.7 per cent of the assets of the top 500 industrials. Of the top 1000 industrials, they account for 60.1 per cent and 63.9 per cent, respectively, of sales and assets. They account for over half the assets and profits of all U.S. manufacturing. Between them, these dominant corporations employ over 10 million employees. Concentrated in these dominant manufacturing corporations is enormous economic power.

Of the 21 subsectors, metal manufacturing (with 14) has the most dominants, followed by food, chemicals and petroleum refining (with nine each), and paper and wood, appliances/electronics and aircrafts and parts (with seven each). By average size, the five dominants in motor vehicles and parts are the largest with average assets of \$8.432 billion and sales of \$14.906 billion, led by General Motors with assets of over \$20 billion and sales over \$35 billion.

Overall, 97 per cent of the dominant U.S. manufacturing corporations have Canadian subsidiaries, totalling 304 separate major operations. In other words, only three of 103 do not have at least one Canadian subsidiary, while many have more than one. There are also 14 dominant Canadian subsidiaries controlled by these manufacturing corporations. Like the resource sector, virtually all U.S. dominants in manufacturing operate on a continental basis. While 100 of these companies are continental in their operations, only 88 are multinational. For example, all seven dominants in pulp and wood are continental but only four multinational, 13 of the 14 dominants in metal manufacturing are continental but only seven multinational, and all seven dominants in aircraft and parts are continental but only four multinational. Some of the specifics of this will be examined shortly.

Some of the manufacturing companies are difficult to classify. For example, Esmark (formerly Swift) has become a holding company. "Of the company's \$68.1 million in profits (on revenues of \$4.6 billion), more than half came from nonfood business" (*Fortune*, April 1975:38). Nevertheless, it is classified with foods because this is the single most important activity of the company.

There are classification problems of a different order as well. Many of the U.S. dominants do not consolidate their Canadian operations within

Canada, making it virtually impossible to determine the exact size of their total Canadian operations. It may well be that if it were possible to do this consolidation, some would reach a size comparable with Canadian dominants in their sector. An extreme case is Beatrice Foods with 26 separate Canadian operations, all reporting directly back to the U.S. parent. The complexity of this case makes it difficult to diagram but another case, that of Consolidated Foods, with nine Canadian operations, is presented below as an illustration of this problem.

FIGURE THREE
Unconsolidated Canadian Subsidiaries
of Consolidated Foods, 1972

As can be seen, this makes for some difficulty in sorting out continental operations and determining, in a precise way, the total U.S. impact on Canada by company; although aggregate data can take this into account, there is an overcounting of the actual number of controlling companies involved. That is, Beatrice's 26 Canadian operations would be calculated separately in concentration and size statistics but, in reality, should only be counted once.

In the paper and wood sector, all seven U.S. dominants have Canadian subsidiaries, an average of two each, and two have dominant Canadian subsidiaries, although only four are multinational. Crown Zellerbach, the smallest of the dominants in both Canada and the U.S., has one in the pulp and paper area and Champion International, through Weldwood of Canada, has another in the wood area. Five others are Canadian controlled, including Price Company, U.K. controlled until 1975, when it was bought out by Abitibi Paper.¹⁴

¹⁴A detailed study of this has been done by Philip Mathias called Takeover:

U.S. holdings tend to be in the middle range and smaller corporations in this sector in Canada. There does not appear to be any aversion to joint ventures in this sector, either between Canadian or U.S. dominants, as the case of Canadian Overseas Paper illustrates: Abitibi Paper, Canadian International Paper, Consolidated-Bathurst, Domtar and Price each own 16.5 per cent of the company, with the remaining 34.9 per cent owned by Crown Zellerbach (Canada), a subsidiary of the U.S. dominant.

While there are no dominant Canadian subsidiaries held by any of the nine dominant U.S. companies in chemicals, all are multinational and have at least one subsidiary in Canada (with the group totalling 31). W.R. Grace leads the pack (with 13 Canadian subsidiaries). Again, in petroleum refining, all nine are multinational and all have Canadian subsidiaries (with 40 among them). Texaco's two Canadian subsidiaries are both dominant, Texaco Exploration in mineral fuels and Texaco Petroleum in petroleum refining. In the U.S., Texaco is the largest corporation in this sector with assets of \$13.6 billion and sales of \$11.4 billion which would have placed it only behind Exxon in the oil and gas extraction sector of resources. While there were ten dominant Canadian subsidiaries controlled from the oil and gas extraction sector, only Texaco from the petroleum refining sector has dominant Canadian subsidiaries. However, like the resource sector of oil, dominant companies in the refining sector still form consortia for pipe lines, although not to the same extent. For example, Cities Service, Atlantic Richfield¹⁵ and Marathon Oil, all dominant in refining, hold between them 70 per cent of Key Pipe Line.

In the rubber sector (with five dominants), pharmaceuticals (with four), soaps and cosmetics (with two), and glass, cement and concrete (also with two), all of the dominant corporations are multinational and all have Canadian subsidiaries, although none are dominant in Canada.

The metal manufacturing sector has the most dominant corporations of any sector in manufacturing (with 14) and only half of these are multina-

The 22 Days of Risk and Decision That Created the World's Largest Newsprint Empire, Abitibi-Price (1976).

¹⁵ Recently, Atlantic Richfield bought a 27 per cent interest in Anaconda, a dominant U.S. metal manufacturer, for \$162 million in "a big step toward transforming itself from the eighth-largest oil company into a diversified extractor of natural resources" (Fortune, May 1976:70).

tional, while 13 have Canadian operations (totalling 34 subsidiaries). As mentioned earlier, manufacturing and resources are simply 'two faces' of a single production process. This is illustrated best by the operations in this sector. For example, three U.S. dominants (Armco Steel, National Steel and Lykes-Youngstown) between them own 72 per cent of Iron Ore Transport in Canada and these same three companies also jointly own 100 per cent of Carryore, another Canadian company. The complexity of the following diagram, involving four of the dominants in this sector, as well as two Canadian dominants, illustrates both the propinquity to consortia and the expression of resource interests in Canada by metal manufacturing dominants from the U.S.

FIGURE FOUR
Joint Ventures in Metal Manufacturing
and Resources, 1972

^tU.S. dominants in metal manufacturing

*Canadian dominants

NOTE: Percentage of foreign ownership incorporates partial Canadian holdings in subsidiaries.

This movement across borders by metal manufacturing companies is not unique to U.S. dominants. According to the Zarb Report on foreign investment in U.S. energy, three of the four dominant Canadian companies in this sector (Stelco, Dofasco and Algoma) are "reported to produce nearly 10 million tons of coal from American mines in which they have a total or partial investment" (Ottawa Journal, February 18, 1975:9).

All ten of the dominants in metal products, appliances and electronics, measuring scientific and photographic are multinational and all have at least one Canadian subsidiary with the ten having 31 between them. Only General Electric, a company discussed earlier in the historical chapter, has a dominant Canadian subsidiary but once again, many of the companies do not consolidate their Canadian holdings within Canada. For example, ITT and Eastman Kodak each directly hold six Canadian subsidiaries.

The high degree of concentration within the motor vehicle sector has also been discussed earlier, with the Big Three automakers much larger than the two parts and specialty companies (Bendix and Signal Companies). General Motors, with assets over \$20 billion and sales over \$35 billion, is about three times the size of Chrysler, the smallest of the Big Three. All five dominants are multinational and all have subsidiaries in Canada but Bendix has only one and Signal Companies four, none of which are dominant in Canada. All the Big Three automakers have dominant Canadian subsidiaries, spreading their virtual monopoly from the U.S. into Canada. General Motors controls two dominant Canadian subsidiaries, General Motors of Canada, the largest company in its manufacturing sector, and General Motors Acceptance, the third largest company in sales finance and consumer loans. Both have 100 per cent of their shares held directly by the dominant U.S. parent. The position of the Big Three automakers was formally made secure in 1965 when the Auto Pact guaranteed integration with the U.S. in a continental market. In the initial years, while there was a loss of any autonomy on the part of Canadian operations, there was an increase in the amount of production taking place in Canada (see Laxer, 1973b:138-139). Recently, however, there has been a shift away from Canadian production with Canada experiencing a \$356 million deficit between imports and exports in 1973; in 1974, the deficit rose to \$1.2 billion and by 1975 to \$1.9 billion, the fifth consecutive year where imports were greater than exports (Infomat, March 22, 1974; March 26, 1976).

Of the remaining 20 dominant manufacturing companies, all but four have extensive foreign holdings. Three of these are in the aircraft industry (McDonnell Douglas, Boeing and United Aircraft) while Teledyne is in other machinery. All 20 of these dominants, including the four that are not multinational, have at least one subsidiary in Canada and the four non-multinationals have ten between them.

A Note: Aluminum Company of Canada (Alcan)

Another U.S. dominant in the metal manufacturing sector, Aluminum Company of America (Alcoa), taps a different resource in Canada from the other companies. Through its subsidiary, Cedar Rapids Transmission Co., it operates an electrical transmission line for its plant in Massena, N.Y. Alcoa is important in Canada for another reason--as the genitor of the Aluminum Company of Canada (Alcan). Alcoa formed Alcan in 1928 and transferred most of its foreign holdings to the Canadian operation (at the time making it a go-between), but since then, its stock in Alcan has become distributed. "In 1950, nine individuals (members of the Mellon and Davis families) held 46.3 per cent of the stock in Alcoa and 44.65 per cent of the stock in Aluminum Limited [Alcan]. That year, the court required the shareholders of Alcoa to dispose of their stock holdings in either Aluminum Limited [Alcan] or Alcoa. Thus, the 1950 ruling completely severed the two companies from one another" (Wilkins, 1974:297).

In many ways Alcan represents a similar case to INCO discussed earlier. In fact, at the same time CALURA reclassified INCO as Canadian controlled, it also reclassified Alcan the same way (Report for 1972:1975:16). As with INCO, Alcan's sales of \$2.412 billion and assets of \$2.412 billion would place it well up among the U.S. dominants in metal manufacturing. Determining the control of Alcan is as illusive as for INCO. The current chairman, Nathanael V. Davis, who was president from 1947 to 1971 and chairman since then, is the son of Edward Kirk Davis who was president of Aluminum Limited (Alcan) from its organization in 1928.¹⁶ Nathanael V.

¹⁶ Another kinship tie links a current Alcan executive to the earlier executive: David Michael Culver, whose father was an investment dealer who had attended private school and the University of Manitoba, was vice-president of Royal Securities and a director of Atlantic Pacific Grain, Canadian Indemnity and International Power. The younger Culver went to three of Canada's top private schools (Selwyn House School, Lower Canada College and

Davis was born in Pittsburgh, Pennsylvania and remains a U.S. citizen but lives in Montreal. He owns 38,981 shares of Alcan, certainly a valuable holding and the largest insider, but not itself a controlling interest.

The largest holding is about two million shares (or about 3 per cent of the outstanding shares), held by a European nominee and the second largest with just over one million is the Kingdom of Norway. There are another 12 nominees with over 1 per cent each of the shares but there appears to be no clear central control, even through together these major holdings could certainly assume control. The distribution of shares has been shifting back and forth recently, as the following table illustrates.

TABLE NINETEEN

Alcan's Distribution of Common Shares, 1965-1974

	1965	1972	1974
Canadian residents	31.1%	55.0%	45.4%
U.S. residents	65.0%	32.5%	44.1%
Other residents	3.9%	12.5%	10.5%
	100%	100%	100%

The citizenship and residence of the directors would suggest a large Canadian role, since ten reside in Canada, two in the U.S. and U.K., and one in Norway, while nine are Canadian citizens, three U.S., two U.K. and one Norwegian. In terms of its operations, it is clearly multinational, with 27 per cent of sales in the U.S., 17 per cent in the U.K., 15 per cent in Canada, 13 per cent in the E.E.C. outside the U.K., and 28 per cent elsewhere. It also uses both Canadian and U.S. capital markets as its source; "new borrowings in excess of \$280 million were arranged in 1974, and \$53 million in debt was repaid. The largest single issue was a 20-year \$75 million long-term publicly-subscribed Canadian issue...other borrowings included a \$45 million long-term private placement in the U.S...a U.S. short-term bank line of \$36 million and a U.S. \$30 million medium-term loan" (Alcan Annual Report for 1974:6). Given these data, it still remains difficult to classify Alcan by country of control and, like INCO, it is

Trinity College School) before graduating from McGill and eventually Harvard for an MBA. Culver is now an executive vice-president of Alcan and president of Alcan International. His U.S. born father-in-law, Ray Edwin Powell, was also a member of the economic elite as president of Alcan and director of Bell Canada and Saguenay Power.

likely best left in a category of multinationals.

Summary

As mentioned, 100 of the 103 dominant companies in manufacturing have Canadian subsidiaries. Between them they hold 304 direct subsidiaries (that is, not consolidated in Canada but owned directly by the U.S. parent). Of all 194 dominants, 146 or 75 per cent have subsidiary operations in Canada, totalling 391 direct subsidiaries.

This discussion has illustrated the wide diversity between sectors in terms of their practices of operating in Canada. There are two main ownership structures and a third system of direct holdings, illustrated in the cases of INCO and Alcan. Of the two main patterns, the first which involves between 50 and 100 per cent direct holdings of a Canadian subsidiary which in turn holds shares in remaining subsidiaries, is the easiest to deal with and compare to Canadian corporations. However, the second pattern, where the U.S. parent holds all or many of the Canadian subsidiaries directly, like W.R. Grace's 13 direct subsidiaries or Beatrice Foods' 26, poses a problem in terms of classification. Since these holdings are not organized together (consolidated) within Canada, they are not comparable with those Canadian companies which are consolidated. The result is that this second method of holding likely understates the degree of concentration within Canada and, therefore, government data on corporate concentration must be regarded as conservative in this respect. A number of cases of joint ownership by U.S. dominants of Canadian operations serving to centralize the continental economy have also been provided. However, it is now to another type of relationship between dominant corporations that serves to undercut their 'separateness' that attention will be turned.

III. Interlocks Among Dominant U.S. and Canadian Corporations

Interlocking directorships are not the only force that binds the dominant corporations within Canada and the U.S. or, as will soon be seen, between Canada and the U.S., but it is an important component of the general community of interest at the top of the corporate world. Patterns of interlocking are indicative of the centrality of particular corporations, of economic sectors and of a powerful stratum of the economic elite.

Corporate interlocks occur when one person sits on the board of directors of more than one company. Here, only interlocks between and among dominant companies will be analysed. Typically, an interlock occurs when a senior executive of one company is an outside director of a second company (meaning the person is on the board of directors but not an officer of the company).

Corporate Interlocks Among Dominant Corporations

Several studies of interlocking directorates have been done for the U.S. and these will be briefly reviewed to see the changes in this practice over time, before presenting the patterns among the 194 dominant corporations just discussed and their 113 counterparts in Canada. The study covering the longest period is one by Bunting and Barbour, who examined interlocks among 207 companies for the years 1899, 1905, 1935 and 1964, covering "the 100 largest industrial corporations, fifty largest public utilities, twenty-five largest transport companies, twenty largest banks, and twelve largest investment houses" (1971:320). These overlap with the 194 dominants identified in this study but differ in some important respects. This study systematically selects dominant corporations by comparing their size on two dimensions of control (assets and revenue or other appropriate indicators) both within and between sectors. This study also includes the trade sector and life insurance companies; it is likely the Bunting and Barbour study incorporates resources with manufacturing under the heading industrials. While their study and the current one are not directly comparable, it is possible to establish some long term trends because their own data are comparable over the period they review. Their general conclusion is a long term trend toward less interlocking within their 'top' 207 corporations; they find "more interlocking in 1905 than in 1935 and more in 1935 than in 1964" (327). This was not due to a lower number of interlocked corporations over time; "while the number of interlocked corporations remained virtually the same, the extent to which they were interconnected declined greatly" (327). In other words, the density of interlocks¹⁷ declined. While these

¹⁷ 'Density of interlocks' means the frequency with which interlocks occurs, not simply that an interlock exists. For example, if one person shares a position on two boards of directors then the companies are interlocked but they are not interlocked as densely as when two or more persons share po-

207 corporations averaged 13 interlocks in 1905, rising to 18 in 1905, they then began to decline to an average of ten by 1935 and eight by 1964 (328, Table 5). Even with this relative decline, they report that for the most recent period, 1964, that 68 per cent of the non-financial corporations in their sample were interlocked with at least one of the 20 banks (330n). As would be anticipated, given their general findings, they also report that the proportion of individuals with multiple directorships (that is, in more than one of the 'top' 207 corporations) had also decreased (335). Two other studies of U.S. interlocks come to somewhat different conclusions.

Dooley's study of interlocks covers a similar but briefer period (1935 and 1965), and uses a somewhat different set of corporations. For 1935, he uses the National Resources Committee study of the 200 largest non-financial corporations and 50 largest financial corporations ranked by assets and for 1965, the 200 largest non-financials (115 industrial, 10 merchandising, 25 transportation, 50 public utilities) and 50 financial (32 banks and 18 life insurance) (1969:314). Again, his study is not directly comparable to either this one or that of Bunting and Barbour, but is consistent within the two periods he compares. Dooley's findings are somewhat different from the trend reported by Bunting and Barbour since he finds that 18 per cent of the directors in 1935 held multiple directorships, accounting among them for 37 per cent of the directorships, while in 1965, 18 per cent were again multiple directorship holders, this time with 35 per cent of the directorships (315, Table 1). In terms of corporations themselves, "more of the top 250 corporations were interlocked in the later period" (315). The differences between the two studies may be attributable to the slightly different sample size and to differences in the types of companies covered since Dooley also included life insurance companies and merchandising in his study, as well as 32 banks compared to 20 in Bunting and Barbour's.

A final study is one conducted by Allen, covering two periods, 1935 and 1970. As in Dooley's case, the 1935 study used as the baseline the National Resource Committee study and the 1970 data was generated by him-

sitions on the same two boards. Thus the density declines if the number of persons interlocking a company reduces from, say, two to one, but the companies still remain interlocked.

self. Each includes the 200 largest non-financial and 50 largest financial corporations ranked by assets. The composition of the 1970 sample differs somewhat from the 1935 study, reflecting relative changes in the size of corporations within various sectors. The Allen sample for 1970 includes 33 banks, 17 life insurance companies, 125 industrials, 17 transportation, 10 retailing and 48 utilities (1974:397). Allen's results indicate a stable average number of interlocks for the 250 major corporations in 1935 and 1970, with 10.4 for each period. However, there are some interesting sectoral differences. The financial corporations in the sample increased their averages from 14.8 to 16.9 and the industrials from 8.3 to 9.6 while the non-industrial and non-financial corporations, like public utilities, transportation and merchandising, dropped from 10.3 to 7.4 (399, Table 3). Allen also finds that "the number of corporations with no interlocks declined from 25 in 1935 to 13 in 1970" which confirms and even extends Dooley's finding in this respect. Allen also adds that "the number of corporations with more than 25 interlocks declined from 23 in 1935 to 14 in 1970" (403). Based on this evidence, he concludes, "that the structure of corporate interlocking is becoming more pervasive and integrated through time in that more corporations maintain interlocks with other corporations. However, this structure of corporate interlocking is also becoming less centralized through time in that fewer corporations maintain a large number of interlocks with other corporations" (404). Therefore, the general pattern over time is for an increasing number of interlocked companies but with a lower density of interlocks. Moreover, the evidence in terms of sectoral differences suggests an increasing role for financial corporations (banks and life insurance) in the interlocking patterns. In Canada the pattern between 1951 and 1972 is toward an increasing frequency and density of interlocks, as will be illustrated shortly (see Clement, 1975:155-169).

The following data are based on the 194 dominant U.S. corporations identified earlier and a corresponding set of 113 dominant Canadian corporations. Once the dominant U.S. corporations were determined, the selecting of the members of the economic elite involved checking several sources. All companies were checked in Moody's Manuals and Standard and Poor's Register and many were again cross-checked in the companies' annual reports. For all 194 dominant corporations, all directors and senior

executives were selected to represent the U.S. economic elite, just as was done in Canada. Because of some slight discrepancies between Poor's (1975), Moody's (1975) and the company reports for 1974 (which include directors and senior executives for 1975), all were included cumulatively unless there was a specific reference to their being deceased, retired or no longer with the company. Therefore, aside from these conditions, any one in any of these three sources was included. In Canada, the elite were selected from the Financial Post Directory of Directors, 1972, and in a few cases, when not available there, from reports filed with the Department of Consumer and Corporate Affairs.

The following table compares and summarizes these findings:¹⁸

TABLE TWENTY

Interlocks Among Dominant U.S. and Canadian Corporations*

	U.S.		Canadian		Canadian Controlled Only	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
25 or more	20	10.3	28	24.8	24	41.4
10 to 24	84	43.3	35	31.0	17	29.3
Under 10	90	46.4	50	44.2	17	29.3
Total	194	100%	113	100%	58	100%
Average	12.4		16.3		23.4	

*For a detailed breakdown, see Appendix IX.

Since only interlocks among dominant corporations are being measured here, it would be expected that the larger number of U.S. dominants (194) would lead to a bias in terms of more possibilities of interlocking than among Canadian dominants (113). In spite of this, the Canadian dominants exhibit a much greater tendency to be interlocked. The average Canadian dominant has 16.3 interlocks with other dominants in Canada while the average U.S. dominant has 12.4 interlocks. When only Canadian controlled dominants in Canada are separated, the average increases to 23.4 per dominant.¹⁹ Only

¹⁸ A detailed presentation of the results of this analysis of interlocking U.S. corporations is presented in Appendix VIII. For Canadian corporations, see Clement, 1975:446-451, Appendix XI.

¹⁹ In contrast, the average dominant U.S. subsidiary in Canada has 7.0 interlocks, for the U.K. subsidiaries 9.6 and for others 16.3.

one U.S. dominant (Citibank, with 53 interlocks) has over 50 interlocks, but in Canada, five of the Canadian controlled companies have this many.

While the U.S. dominants are clearly not as densely interlocked as Canadian dominants, there still remains a high degree of interlocking among these largest corporations. Only eight of the 194 (or 4.1 per cent) of the U.S. dominant corporations are not interlocked with any other dominants. In Canada, three of the 113 (2.6 per cent) are not interlocked. The dominant U.S. companies with the largest number of interlocks tend to be the largest corporations within the U.S. and also tend to be in banking. For example, six of the top ten interlocked companies are banks. The 13 dominants with 30 or more interlocks are Citibank, J.P. Morgan, Metropolitan Life, Manufacturers Hanover, Chemical N.Y., First Chicago, AT&T, N.Y. Life, General Motors, Continental Illinois, IBM, Chase Manhattan and U.S. Steel. These stand as the pillars of the U.S. economic elite, between them interlocking over 500 times within the 194 dominant corporations. In Canada, the top interlocking companies are the banks, life insurance and transportation/utilities companies, the core of Canadian capitalism.

The average board size is similar in the dominant corporations of each nation with Canada's somewhat smaller (15.5) than the United States (16.9). As evident in the following table, the U.S. boards are larger in each sector except utilities/transportation and strikingly so in the trade and manufacturing sectors. Canadian banks, on the other hand, are almost twice as large on the average as the dominant U.S. banks.

TABLE TWENTY-ONE
Average Board Size of Canadian and United States
Dominant Corporations by Sector

<u>Sector</u>	<u>U.S. Boards</u>	<u>Canadian Boards</u>
Finance	23.1	19.8
Utilities/Transportation	13.8	14.2
Resource	14.8	13.3
Manufacturing	15.7	12.6
Trade	<u>17.3</u>	<u>11.6</u>
Average	16.9	15.5
Banks	24.4	46.2
Insurance	25.9	14.5

One explanation for a lower degree of interlocking among U.S. corporations is greater regulation, as in the Clayton Antitrust Act, which prohibits interlocks between competing corporations. The effect of this is to depress somewhat the practice of interlocking directorships. However, another explanation, based on structural differences between the U.S. and Canadian economies, is that the Canadian dominants are more interlocked because of the central role of financial corporations in Canada since financial corporations, whether in the U.S. or Canada, have a greater tendency to be interlocked than any other types. The following analysis of the density of interlocks by corporate sector will show this to be the case.²⁰

Density of Interlocks

One method of analysing patterns of interlocks is to examine relationships which occur within and between the sectors discussed earlier. Density provides a measure of integration on the elite level between various sectors. The following figures provide a comparison of patterns within Canada and the U.S.

*Density of interlocks is the potential number of interlocks divided by the actual number of interlocks per sector. The number in the separate sectors is the density of interlocking within each sector. If the density were 1.00, then all potential interlocks between sectors would be present; if .00, then there are no interlocks.

²⁰ Another possible cause of lower interlocking in the U.S. may be that these interlocks take place outside the board room. While it is true that this does occur, it does not occur to the extent it does in Canada. For example, in the U.S. there are an additional 46 members of the elite on the advisory boards of dominant banks but not directors while another 16 were on subsidiaries and three were honorary directors. While these 65 members of the

FIGURE SIX
Density of Interlocks Between 113 Dominant
Canadian Companies, 1972

These figures portray the difference by density of interlocks for each sector and are indicative of the degree of centrality of these different sectors within each nation. Density of interlocks is the potential number of interlocks between each sector divided by the actual number of interlocks with the potential number being determined by the actual number of elite positions within each sector.

This illustrates that finance is the clear centre in Canada, having a very strong relationship with all other sectors. A second minor centre in Canada is the transportation/utilities sector with a particularly strong link to finance, the other area of circulation. The U.S. has a greater diffuseness in its relationships between sectors, mainly accounted for by the equal importance of manufacturing to that of finance. The presence of manufacturing as a second major centre in the U.S. tends to spread the density of interlocks more evenly between all sectors. This is particularly evident in manufacturing's relationship to resources (.31), trade (.31) and transportation/utilities (.27) contrasted to their relationships in Canada (with .19, .07 and .15, respectively). In the U.S., the importance of transportation/utilities in terms of density of interlocks with other sectors is lower than in Canada, while the resource sector, particularly in

U.S. elite are not included in the interlocking patterns, there are also 66 members of the Canadian economic elite sitting on advisory boards of dominant corporations not included. In Canada, the practice is most actively carried out by trust companies (accounting for 56 of those on advisory boards), while in the U.S., the most important practitioners are three banks: Chemical Bank, Crocker National and Morgan Guaranty. Another possibility which also does not account for the difference is the practice of an insider of one company sitting on the board of another dominant but not on their own board.

its relationship to manufacturing, is more prominent in the U.S. The trade sector tends to be lowest in each country, with its only impressive tie in Canada to finance while in the U.S., it has a fairly strong tie to both manufacturing and finance.

The figures within each of the sectors' boxes is the density of the relationship within sectors. The patterns are similar within to those between sectors with a much higher relationship within finance in Canada (.37), in spite of legislation prohibiting banks or insurance companies from interlocking with themselves, although not prohibiting interlocks with each other, compared to the density within U.S. finance (.16). In the manufacturing sector, the density is much higher in the U.S. (.29) than in Canada (.11). Thus, it is apparent that dominant corporations in the manufacturing sector in the U.S. have a much more prominent place in their relationships to dominant corporations in their own sector as well as other sectors than they do in Canada.

While the finance sector remains of central importance in the U.S., its place is not as prominent as in Canada where it is the only key sector for interlocks. These relationships reflect the relative importance each of these sectors has in the economic power structure of each nation, with Canada's finance sector dominant and a weaker, largely foreign controlled manufacturing sector, while in the U.S., both sectors are indigenously controlled and have evolved as relatively equal centres of power. Financial capitalists have had an important place in the U.S. corporate system, as has been demonstrated, but it has had a much more balanced relationship with industrial capitalists than in Canada.

The historical analysis provided an explanation of these findings in terms of earlier U.S. industrialization resulting from an earlier break with the Imperial ties to the U.K., plus the fact that U.S. manufacturing and resource companies themselves extended into Canada, promoted as a surrogate for indigenous development by Canadian financial capitalists, thus weakening the openings provided for indigenous Canadian industrialists. In Canada, the elites in the sphere of circulation are particularly inte-

There are 31 cases like this in the U.S. and 14 in Canada, about the same proportion of each elite since the U.S. elite is over twice the size of the Canadian one.

grated with each other, having weaker connections with the sphere of production which is foreign controlled. They have consolidated their position in circulation while U.S. elites have effectively maintained control of all economic activities in their society.

The previous figures provide an analysis of interlocks among dominant corporations, they do not take into account the primary affiliation of those doing the interlocking. The following tables provide a breakdown of the distribution of dominant directorships held in various sectors by the main affiliation of the person holding those positions.

TABLE TWENTY-TWO
Dominant Directorships per Sector
By Main Current Affiliation, U.S. Economic Elite*
(n = 2007)

% With Dominant Directorships in:	Main Current Affiliation					
	Trans/Util.	Finance	Resource	Manuf.	Trade	ALL
Trans/Utilities	(73%)	23%	6%	11%	14%	21%
Finance	32%	(57%)	21%	24%	25%	42%
Resources	1%	8%	(78%)	4%	3%	10%
Manufacturing	23%	42%	23%	(82%)	24%	57%
Trade	4%	6%	1%	2%	(68%)	6%

*Percentages do not total 100 because multiple directorship holders may appear in more than one sector.

These percentages indicate the proportion of all U.S. economic elite members whose main affiliation is in any of the sectors listed along the top who have at least one dominant directorship in any of the sectors along the side. Main current affiliation need not be in a dominant corporation. The percentages in brackets indicate those sectors where the person holds a dominant directorship in the same sector as their main current affiliation. For example, of the elite members whose main affiliation is finance, 23 per cent have at least one dominant directorship in transportation/utilities, 57 per cent in a dominant financial company, eight per cent in a dominant resource company, 42 per cent in a dominant manufacturing company and six per cent in trade. Since only 57 per cent of those whose main affiliation is finance also have a dominant directorship in finance, this suggests that many financial executives in smaller corporations are interlocking with dominant companies in other sectors. That is, at least 43

per cent of those whose main affiliation is finance are in the elite because of outside dominant directorships. Therefore, the degree of interconnection between finance as a sector (and not simply dominant companies in finance) and other corporations is greater than the interlocks between only dominant companies suggests, especially to the manufacturing and transportation/utilities sectors, since many of those with main affiliations in smaller than dominant companies interlock extensively with dominants in other sectors.

While financial executives in the U.S. are the least likely to have their main affiliation with a dominant corporation, those in the resource sector are most likely (78 per cent), followed by transportation/utilities (73 per cent), manufacturing (68 per cent) and trade (65 per cent). Based on the above table, members of the elite whose main affiliation is in resources or trade are equally likely to also hold a dominant directorship in either finance or manufacturing (about one quarter in each) while those in transportation/utilities are more likely to hold a dominant directorship in finance (32 per cent) than manufacturing (23 per cent). While 42 per cent of those whose main affiliation is in finance also hold a dominant manufacturing directorship, of those in manufacturing, only 24 per cent hold a dominant directorship in finance. Again, this is suggestive of greater interlocking by non-dominant financial executives than the interlocks only among dominant corporations indicated.

TABLE TWENTY-THREE

Dominant Directorships per Sector

By Main Current Affiliation, Canadian Economic Elite*

(n = 798)

% With Dominant Directorships in:	Main Current Affiliation					ALL
	Trans/Util.	Finance	Resource	Manuf.	Trade	
Trans/Utilities	(64%)	55%	2%	19%	2%	18%
Finance	11%	(90%)	7%	22%	8%	66%
Resources	24%	45%	(70%)	12%	4%	13%
Manufacturing	10%	52%	10%	(70%)	4%	30%
Trade	15%	38%	6%	7%	(77%)	12%

*See note to Table Twenty-Two.

While in the U.S. only 57 per cent of those whose main affiliation is finance also hold a dominant directorship in finance, in Canada this figure is 90 per cent. This means that Canadian financial capitalists are much more

likely to be associated with dominant companies in Canada than in the U.S., again reflecting the more diffuse character of U.S. finance with many more banks than in Canada. In Canada, those whose main affiliation is finance are consistently high in their directorships in other sectors, once again demonstrating their central position. This pattern illustrates that it is primarily those with directorships in dominant financial institutions in Canada that interlock with other sectors while in the U.S. there is a much more pronounced pattern of those with main affiliations from other sectors also holding directorships on dominant financial institutions. Thus, when direction (that is, from main affiliations to outside directorships) is given to the interlocking patterns analysed earlier, it reinforces the argument made throughout this study of the dominance of circulation in Canada and the weaker role of production.

Any way the data is examined, there is a more balanced relationship between financial and manufacturing corporations in the U.S. than in Canada. Nevertheless, financial institutions remain central in the current stage of U.S. corporate capitalism. While internally generated funds (retained earnings) may be sufficient for normal expansion by industrial corporations, there remains a need for large external funding, whenever huge projects are undertaken or broad new markets tapped, and it is the reserves of financial capital which are able to bridge the gap.

The giant banks are the greatest source of these capital pools and merit a closer examination. The following table gives some indication of the differences between Canadian and U.S. banks in terms of their relations with other sectors.

TABLE TWENTY-FOUR

Interlocks of Dominant Canadian and U.S. Banks by Sector

	FINANCE	TRADE	TRANS/UTIL.	RESOURCE	MANUF.	TOTAL	Average per Bank.
20 U.S. BANKS							
Number	66	32	80	35	276	489	24.5
Per Cent	13.5%	6.5%	16.4%	7.2%	56.4%	100%	
5 CANADIAN BANKS							
Number	92	28	47	84	54	305	61.0
Per Cent	30.2%	9.2%	15.4%	27.5%	17.7%	100%	

U.S. banks are lower in terms of their volume of interlocks than their Canadian counterparts and have different patterns of interlocks which reflect basic differences in the two economies. The average interlocks of the 20 dominant U.S. banks with 194 dominant corporations is 24.5 each, compared to the five dominant Canadian banks with the 113 dominant corporations in Canada with an average of 61 interlocks per bank. While a large proportion of the interlocks by dominant banks in Canada are in finance (mainly life insurance), in the U.S. the corresponding figure is much lower. But in the manufacturing sector where fewer of the Canadian bank interlocks are located, in the U.S. well over half are located there. Canadian banks are also more likely to be interlocked with resource companies than are U.S. banks, reflecting Canada's orientation to resources as a major source of revenue.

There is also a greater integration among the dominant financial corporations in Canada than the U.S. In both cases, life insurance companies are the second most important capital pools. In the U.S., 20 per cent of the elite who hold a dominant insurance directorship also have a dominant bank directorship and 9 per cent of those with a dominant bank directorship also have a dominant insurance directorship. In Canada, dominant insurance directors hold 28 per cent of dominant bank directorships and dominant bank directors hold 41 per cent of dominant insurance directorships, again illustrating that the U.S. has much more diffuse financial institutions than Canada. This is not to say dominant financial institutions are not central in the U.S., only that they are counterbalanced there, but not in Canada. Clearly, U.S. financial institutions are very integrated with other dominant corporations when 61 per cent of those who hold a dominant bank directorship also hold at least one other dominant directorship and 48 per cent of those holding a dominant insurance directorship also hold at least one other dominant directorship.

Multiple Directorship Holders

Finally, before moving away from comparing interlocks within Canada and the U.S., the area of multiple directorship holders will be explored. The following table summarizes the distribution of multiple directorship holders in the U.S. and Canada.

TABLE TWENTY-FIVE
U.S. and Canadian Multiple Directorship Holders*

				CUMULATIVE			
	# Dominant Directorships	# Persons	# Direc- torships	# Persons	% Persons	# Direc- torships	% Direc- torships
U.S.	3 or more	191	660	191	8	660	20
	2	344	688	535	22	1,348	41
	1	1,915	1,915	2,450	100	3,263	100
CANADA	3 or more	119	472	119	13	472	33
	2	155	310	274	29	782	54
	1	672	672	946	100	1,454	100

*This table includes the entire Canadian and U.S. economic elites, whether sufficient information was available for analysis of other biographical characteristics or not.

This table illustrates that only 22 per cent of the U.S. economic elite controls 41 per cent of the elite positions. Thus, concentrated among these 535 individuals are 1,348 elite positions in the 194 dominant U.S. corporations. As would be expected, given the earlier findings on the intensity of interlocks, the Canadian economic elite is even more likely to have multiple dominant directorships. In Canada, 29 per cent of the elite hold 54 per cent of the elite positions. In other words, 274 individuals hold 782 elite positions among the 113 dominant Canadian corporations. Therefore, a greater proportion of the Canadian elite have more than one dominant directorship (29 per cent) than in the U.S. (22 per cent) and they hold a greater portion of the dominant directorships (54 per cent to 41 per cent).

Reducing these to a common base for comparison, each U.S. multiple directorship holder averages 2.52 dominant directorships while each in Canada averages 2.85. In spite of the fact the U.S. economic elite is over twice the size of the Canadian one and the fact that there are 194 dominant U.S. corporations to Canada's 113, there are only two elite members in the U.S. with six or more dominant directorships but there are 13 in Canada. In Canada, 13 per cent of the elite have three or more dominant directorships holding 33 per cent of all dominant positions while in the U.S., only eight per cent have three or more and hold only 20 per cent of the dominant positions. On all of the indicators relating to dominant interlocks, the evidence is that the U.S. has lower levels of interlocks spread more evenly between economic sectors and with less of a tendency to have multiple directorship holders.

The pattern in Canada is an increasing of the extent and expanse of multiple directorship holders. While in 1951, 22 per cent of the elite held 46 per cent of the dominant directorships (Porter, 1965:589), a pattern quite similar to the current U.S. pattern, by 1972 this increased to 29 per cent holding 54 per cent. Over time, the Canadian economic elite has become increasingly consolidated, just as the corporate world itself has become more concentrated and centralized.

IV. Continental Connections: Interlocks Between Dominant U.S. and Canadian Corporations

As earlier discussion has shown, international capitalism is certainly not a new phenomenon, nor is the practice of people following capital flows, as the later chapters will illustrate. What is a relatively recent occurrence, however, is the multinational corporation with its branch plant structure and even more recent, the drawing of segments of national members of the capitalist class into direct participation in foreign based corporations. Nowhere have these developments been on the scale that has taken place in the post-World War Two era in relations between Canada and the U.S. The focus of this section will be on the relations between leading elements of the Canadian and U.S. capitalist classes as they interlock between dominant corporations within both Canada and the U.S. Following from the earlier section on national interlocks, this continental pattern is indicative of the relative strengths of various sectors and the way they serve as a base for a continental economic elite.

The two major theoretical issues to be addressed are whether or not there is an international segment of the economic elites of the two nations and whether or not all dominant class fractions of 'dependent' nations are subservient to foreign powers. The main question is whether there is an interpenetration of the economic elites of each nation or whether the relationship is exclusively one-sided. While interlocks alone cannot resolve this complex question, they can be a useful indicator of this relationship. Thus it will be important to look outside the structure of parent companies and branch plants to see if interlocks occur in areas other than those under direct external control...

U.S. Interlocks with Canada

In analysing U.S. interlocks with Canada, it is important to distinguish between those that occur through the structure of parent companies and branch plants and those which occur independent of this structure (that is, directly from a U.S. dominant to a Canadian dominant, independent of foreign control). Moreover, it is important to identify both the sectors from within the U.S. that interlock with dominant companies in Canada and the sectors within Canada where these interlocks take place. Once this is done, the same procedures will be repeated for Canadian interlocks with the U.S.

Of the 194 dominant U.S. corporations, 54 interlock with Canadian dominant companies through members of the U.S. resident elite. Ten of these companies are interlocked only through dominant subsidiary companies in Canada, thus leaving 44 U.S. dominants interlocking with Canadian dominants that are not subsidiaries. These U.S. companies in turn interlock with 32 of Canada's 113 dominant corporations. Of the 32 Canadian dominants, six are U.S. subsidiaries interlocking only with their parents, nine are other U.S. subsidiaries, five are U.S. affiliates (over 10 per cent but less than 50 per cent U.S. ownership), one is a joint U.S.-Canadian venture and 11 are Canadian controlled companies.

Given the historical pattern of U.S. direct investment in Canada being centred in the manufacturing, resources and, in specific instances, trade sectors, it should not be surprising to find that the subsidiary interlocks follow this pattern with lower participation in the predominantly Canadian controlled finance and transportation/utilities sectors. This pattern does hold with 13 U.S. dominant parent companies having a total of 31 interlocks with 14 of their dominant Canadian subsidiaries. Most of the subsidiaries are in the resource sector (6) followed by trade (4) and manufacturing (3). Only one is in finance and none in transportation/utilities. Over half the U.S. parents (7) have two interlocks with their Canadian subsidiaries, four have only one, one has three and another (S.S. Kresge) has ten. Kresge's is an anomaly in the general pattern of having two U.S. resident members of the parent board sitting on the Canadian subsidiary.

The fact that subsidiary companies share directors in common with parent companies should come as no surprise. What is interesting is the relatively low number of interlocks that are shared in this way. The re-

mainder of the board positions in Canadian subsidiaries of U.S. parents are held by Canadian resident comprador elites, members of the indigenous Canadian elite or other outsiders.

TABLE TWENTY-SIX
Interlocks from the U.S. to Canada
by Sector of Origin in the U.S.

Sector from U.S.	# Of Dominant Companies	Number of Interlocks to Canada		
		Subsid/Affil.	Direct*	Total
Manufacturing	26	7	36	43
Trans/Utilities	6	0	9	9
Resource	8	6	10	16
Finance	9	2	16	18
Trade	5	17	1	18
Total	54 (of 194)	32	72	104

*By 'direct' interlocks is meant interlocks occurring outside the parent-subsidiary or affiliate relationship by directly interlocking with a company not dependent on foreign control.

It is evident from this table that the most important source of U.S. based interlocks with Canadian dominant companies is the manufacturing sector, with one half of all the companies engaged in this practice from this sector. Moreover, 36 of the 43 interlocks from this sector are outside the connection between parent companies and either subsidiaries or affiliated companies; that is, most of the interlocks from the U.S. manufacturing sector are direct interlocks. While finance is second in terms of number of dominant companies, it is well behind the manufacturing sector and much more similar to the other sectors. However, most of the finance interlocks, like those from transportation/utilities, are direct with few based on subsidiary or affiliate relations. Those in trade are almost totally through subsidiaries. The resource sector has almost as many subsidiary interlocks as manufacturing and an additional ten direct interlocks.

While most of the interlocks from the U.S. to Canada come from the manufacturing sector, where do they interlock in Canada?²¹ The following table shows that the two main sectors for their interlocking in Canada are

²¹ There are some restrictions on the extent of foreign directors on the boards of Canadian banks, trust and loan companies, where three quarters must be Canadian citizens and insurance companies where a majority must be Canadian citizens.

finance and resource. However, more of the resource interlocks follow subsidiary or affiliate lines than those in finance where almost all are direct with the dominant banks and the largest life insurance companies standing out, usually having two or three interlocks with dominant U.S. companies by way of U.S. resident elite members. These foreign contacts afford these companies important opportunities to keep in touch with outlets for their capital in the U.S. On the other hand, very few of the interlocks from the U.S. elite end up in the manufacturing sector with even fewer in transportation/utilities. Most of the interlocks in trade are accounted for by subsidiaries. Sixteen of the 67 direct interlocks are the result of members of the U.S. economic elite simultaneously holding other subsidiary or affiliate directorships in dominant Canadian branches as well as sitting on the boards of the U.S. parents.

TABLE TWENTY-SEVEN

Interlocks from the U.S. to Canada
by Sector of Destination in Canada

Sector in Canada	# of Dominant Companies	Number of Interlocks from U.S.		
		Subsid/Affil.	Direct	Total
Manufacturing	5	6	10	16
Trans/Utilities	1	3	0	3
Resource	11	9	20	29
Finance	10	2	26	28
Trade	5	17	11	28
Total	32 (of 113)	37	67	104

Canadian Interlocks with the United States

The most striking difference in Canada's interlocks with the U.S. in contrast to the opposite relation is the absence of subsidiary interlocks based on Canadian dominant branch plants in the U.S. Thus, all of the interlocks are either direct or from a subsidiary back to a U.S. parent. While 54 of 194 U.S. dominant corporations (or 28 per cent) interlocked with dominant Canadian corporations, 48 of 113 (or 43 per cent) of their Canadian counterparts are interlocked through Canadian resident members of the elite. Most of these interlocks are from Canadian controlled dominant corporations in Canada. Thus, 31 Canadian controlled dominants have a total of 84 interlocks, 12 U.S. subsidiaries have 24 interlocks while five controlled elsewhere have 11.

TABLE TWENTY-EIGHT
Interlocks from Canada to the U.S.
by Sector of Origin in Canada

Sector from Canada	Number of Dominant Companies	Number of Interlocks to the U.S.
Manufacturing	10	18
Transportation/Utilities	5	20
Resource	9	20
Finance	22	58
Trade	<u>2</u>	<u>2</u>
Total	48 (of 113)	118

As the above table makes evident, the finance sector in Canada is the main source of origin for interlocks with U.S. dominants, accounting alone for almost one half of all these interlocks. Included here are all five dominant banks and seven of the 11 dominant insurance companies. Of the ten manufacturing companies interlocking with U.S. dominants, four are U.S. controlled, two elsewhere and four are Canadian controlled (Stelco and Dofasco, with one each and Hiram Walker and Massey-Ferguson, with two each). By far the most prominent Canadian companies with interlocks to U.S. dominants are the Royal Bank (linking to nine), the Canadian Imperial Bank of Commerce and Trans-Canada Pipelines (to seven each), Canadian Pacific and Power Corporation (to five each) and the Toronto Dominion Bank, Canada Life and Bell Canada (to four each). Other Canadian controlled with three each include Calgary Power, Macmillan Bloedel, Sun Life and Brascan. Just as in the interlocks within Canada, the financial sector takes the most prominent place in Canadian resident interlocks with U.S. dominants but what sectors within the U.S. are being interlocked?²²

A total of 27 U.S. dominant corporations with 118 interlocks are linked by members of the Canadian resident elite. Only seven of these interlocks are from subsidiaries in Canada back to U.S. parents. What is most striking is that while almost one half of the sources in Canada for these links were in the finance sector, exactly half of the links in the U.S. are to the manufacturing sector. The finance sector in the U.S. is

²² Some sectors cannot have foreign resident directors. For example, "Communications companies, such as A.T.T. and I.T.T., are forbidden by federal law to have foreigners on their boards" (Fortune, January 1972:36).

second, well behind manufacturing, and closely followed by the resource sector.. Neither transportation/utilities or trade are important destinations for Canadian resident links to U.S. dominants.

TABLE TWENTY-NINE
Interlocks from Canada to the U.S.
by Sector of Destination in the U.S.

Sector in U.S.	Number of Dominant Companies	Number of Interlocks From Canada
Manufacturing	13	59
Transportation/Utilities	2	8
Resource	5	20
Finance	5	29
Trade	2	2
Total	27 (of 194)	118

Given the weight of evidence available on the U.S. interpenetration of Canada, it is not necessary to develop concrete examples of this phenomenon. But, given the recent character of members of the Canadian elite directly holding dominant U.S. posts, it is worthwhile providing a series of examples to reinforce the point and illustrate the type of person involved in this process from a Canadian viewpoint. The following are a dozen examples of members of the Canadian economic elite holding U.S. dominants.

John Black Aird is a graduate of Upper Canada College and Osgoode Hall Law School, son of Hugh Reston Aird, an investment dealer and grandson of Sir John Aird, one-time president of the Canadian Bank of Commerce (his other grandfather, John Homer Black, was an executive of Grenville Crushed Stone and a director of Canadian General Electric) and, to round out his family, he is son-in-law to Jack H. Housser, stockbroker, president of H.B. Housser and vice-president of the Toronto Stock Exchange. John Black Aird is a case of Canada's internationalized elite. Although his main affiliation is with Aird, Zimmerman and Berliss law firm in Toronto, he has found time for other traditional upper class pursuits like being a Liberal Senator (from 1964 to recently), vice-chairman of Reed Shaw Osler, deputy-chairman of Algoma Central Railway and director of such prestigious Canadian companies as Molson Companies, Dominion Glass and Rolling Paper, and domin-

ant companies like Consolidated-Bathurst and the Bank of Nova Scotia. It should be evident why AMAX (American Metal Climax Co.), the dominant U.S. resource company finds him a useful member of their board. To cement his relations socially, he belongs to the Toronto and York Clubs as well as the Canadian Club of New York City.

Alistair Matheson Campbell, chairman of Sun Life, director and member of the executive committee of Canadian Pacific Investments, Stelco and Royal Trust as well as a director of Canadian Industries, a total of four dominant Canadian companies, is also on the board of the U.S. dominant Textron in the aircraft industry.

Frank Elliot Case, chairman of Montreal Trust (and until 1967, domestic general manager of the Royal Bank), is a director of Price Company and the U.S. resource dominant, Kennecott Copper, itself no stranger to the multinational scene. He is also a member of the Canadian Club in New York City along with his Toronto, St. James and Mt. Royal Clubs.

Of particular interest is John Hewson Coleman, who was deputy chairman of the Royal Bank until 1973, now a director there as well as with three other Canadian dominants, Trans-Canada Pipe Lines, Calgary Power and Chrysler Canada. To add to these, he has three U.S. dominant directorships: with Colgate-Palmolive, Beatrice Foods and Chrysler Corporation (Detroit), none of them unfamiliar to Canada.

Falconbridge Nickel's president, Marsh Alexander Cooper, is no stranger in Canadian board rooms as a director of Abitibi Paper, Crown Life and Canadian Imperial Bank of Commerce. To add to these is a directorship on Texas Eastern Transmission, a dominant U.S. utilities company.

This privilege is not completely confined to English Canadians. Paul Desruisseaux, Liberal Senator since 1966, chairman of Melchers Distilleries, a director of Canadian General Electric and the Royal Bank is also a director of the dominant U.S. parent PPG Industries (formerly Pittsburgh Plate Glass Industries). Socially, he does quite well. Besides his membership in the St. James and Mt. Royal Clubs in Montreal, he is also a member of the Canadian Club in New York City, crowned by the Duquesne of Pittsburgh.

George Arnold Reeve Hart, chairman and chief executive officer of the Bank of Montreal, a director and member of the executive committee of INCO, Sun Life and Consolidated-Bathurst, a director of Canadian Pacific, finds

time for the U.S. parent Uniroyal. His memberships in the St. James, Mt. Royal and Toronto Clubs are rounded out by the Metropolitan Club of New York City.

Albert Bruce Matthews, Upper Canada College graduate, attended the University of Geneva, spent his early career in the investment business in New York, returning to his father's, R.C. Matthews & Co., bond dealers business (his father was also Lt. Governor of Ontario, a director of Toronto General Trust and Excelsior Life), became chairman of Excelsior Life and continues as a director. He is also a director of Domtar, Massey-Ferguson, Dominion Stores, executive vice-president of Argus and chairman of Canada Permanent Trust as well as the U.S. dominant Aetna Life. He belongs to five of the six top Canadian clubs as well as the Brook in New York City.

Beverley Matthews, a senior partner with McCarthy and McCarthy, and a director of Canada Life, Brascan, Gulf Oil Canada, Trans-Canada Pipe Lines, Westinghouse Canada, 3M Canada and a director and vice-president of the Toronto Dominion Bank, is also a director of the parent company of Gulf Oil. He also belongs to the Toronto, York and Mt. Royal Clubs as well as the Rolling Rock and Duquesne in the U.S.

Neil J. McKinnon,²³ former chairman of the Canadian Imperial Bank of Commerce, a director of Canada Life, Trans-Canada Pipe Lines, Ford Motor Canada, Falconbridge, MacMillan Bloedel and Brascan, manages to hold directorships on the parent boards of Campbell Soup, Honeywell and Continental Oil. He also belongs to four of the six exclusive national mens' clubs in Canada and is a member of the Links in New York.

William Earl McLaughlin, chairman and president of the Royal Bank, a director of Power Corporation, Canadian Pacific, Genstar and Algoma Steel, is also a director of the parent companies in the U.S. for Metropolitan Life, General Motors and Ralston-Purina. He is a first cousin, once removed, of Col. Sam McLaughlin, who sat for many years on the parent board of General Motors. As well as five of the six top Canadian clubs, he belongs to the Canadian Club in New York.

Louis Rasminsky, governor of the Bank of Canada from 1961 to 1973, currently a director of five dominant Canadian companies (Bell Canada, Shell

²³ N.J. McKinnon died in August, 1975.

Canada, Alcan, Canada Trust and Huron & Erie Mortgage) also finds time for Boise Cascade (dominant in paper and wood products) and American Express in the U.S.

Another former member of the state elite, John Robarts, premier of Ontario from 1961 to 1971, and a director of Abitibi Paper, Bell Canada, Canadian Imperial Bank of Commerce and Power Corporation, is also a member of the U.S. parent Metropolitan Life. This does not exhaust the examples but it does give some indication of the people behind the interlocking statistics.

Summary

Overall, 63 of the 113 dominant corporations in Canada (or 56 per cent) have interlocks with U.S. dominants; 73 of the 194 dominant corporations in the U.S. (or 38 per cent) have interlocks with Canadian dominants. These figures include interlocks either through Canadian resident interlocks with the U.S. or U.S. resident interlocks with Canada, or both, as is frequently the case. Clearly, subsidiary interlocks, both from U.S. parents to their branch plants and the reverse relation of Canadian branch plant interlocks with U.S. parents are a sign of Canadian dependence. However, direct interlocks, both from U.S. dominants to independent Canadian dominants, which reflects the Canadian elite's ability to attract important members of the U.S. elite to its board, and from independent Canadian dominants to U.S. dominants, which reflects a desire by members of the U.S. elite to attract members of the indigenous Canadian elite, are signs of strength. This latter pattern is more characteristic of relations between two elites in alliance than dependency relations.

Thus it may be concluded that there is a continental segment of the economic elites of both Canada and the U.S. and that they operate above and beyond subsidiary relations. A continental elite moving between the sectors of greatest strengths can be said to exist, although it would be wrong to suggest the entire elite is a continental one. The exchanges, because of the particular historical development of each nation, occur in such a way that they are mainly from Canadian finance to U.S. manufacturing and from U.S. manufacturing to Canadian finance--from strength to strength. It has been illustrated that there is a reciprocity relationship between

powerful sectors, dependence in other sectors and relative autonomy in yet others.

The most outstanding feature of these continental ties is the effect of economic sectors. They suggest that the financial-industrial axis is continental for Canada but national within the U.S. Once again, this adds evidence to the integration of U.S. production and circulation and the unevenness of their development within Canada. These ties reflect a pattern among the elite whereby a segment of Canada's elite has been drawn into the inner circle of the U.S. elite. While a segment of Canada's elite has gained continental power, Canadian society has been drawn into a dependency relationship with the U.S.

Interlocks Between Indigenous Elites and Branch Plants in Canada

Thus far, the relations within Canada between U.S. subsidiaries and the indigenous Canadian elite have not been explored. However, caution needs to be exercised in drawing the distinction between the dominant indigenous and comprador fractions since indigenous capitalists overlap with comprador positions and vice versa. The crucial difference is in their respective bases of power. The individuals who are comprador have as their main base of power a position, usually the senior management, in a branch plant of a foreign controlled firm while the indigenous fraction has independent Canadian controlled bases of power. Therefore, it is important to distinguish between structural and individual compradorization.²⁴ Structural compradorization represents a set of uppermost positions within foreign controlled branch plants while individual compradorization represents a set of persons occupying these positions whose main affiliation is with a branch plant. Some indigenous members also hold comprador positions but these are secondary to their main Canadian controlled positions.

²⁴ If there are ten elite positions in a branch plant, all ten positions are foreign controlled. However, if some of these positions are occupied by persons with other primary activities that are Canadian controlled, say as a dominant insurance or bank president, then these persons are individual members of the Canadian indigenous elite but hold comprador positions in the branch plant along with their main indigenous position, hence the difference between individual and structural compradorization.

The operational distinction was made on the basis of a self-reported statement²⁵ of their "main occupation" and if this was other than corporate, as in a few cases such as law firms, then the country of control of most of their corporate affiliations was used.

It is important to note that those who are recruited to the upper-most positions are decided by those in control. There is very little legislation now operating which would dictate the nature of these appointments. As Mitchell Sharp, then Minister of External Affairs, recently made clear, the federal government "was aware that a firm required to alter the composition of its board by law might seek out passive directors. And it was aware that key decisions are often taken, not by the board of a subsidiary, but by the board of the parent company itself" (Globe and Mail, January 18, 1972).

While 40 per cent of the dominant positions in the Canadian economy are foreign controlled or occupied, this represents only one dimension of compradorization--structural--but does not represent the other which is individual compradorization (see Clement, 1975:150-155). When the criteria outlined for individual compradorization are applied to the Canadian born members holding dominant positions, it is found that 74 per cent are indigenous, 17 per cent U.S. comprador, 5 per cent U.K., and 4 per cent other. In other words, while only 60 per cent of the dominant positions are controlled and held by Canadian residents, 74 per cent of the Canadian born members of the elite are indigenous and have an independent Canadian base of power. This means some members of the indigenous fraction of the Canadian elite occupy comprador positions alongside their primary Canadian activity. A few examples will illustrate what is meant:

William Flavelle McLean, who succeeded his father, James Stanley, as president of Canada Packers, is also a vice-president and a director of the Canadian Imperial Bank of Commerce (his father before him was a director of the Commerce); he is also a director of the U.S. controlled Canadian General Electric. Jean P.W. Ostiguy, who succeeded his father, Paul E., in Morgan, Ostiguy and Hudon Inc., investment dealers, members of the Montreal,

²⁵ This is a self-reported main affiliation by members of the elite themselves in the Financial Post Directory of Directors which asks each person listed to indicate their "principal occupation."

Toronto and Philadelphia stock exchanges, is on the board of the Canadian Imperial Bank of Commerce and the U.S. controlled Ford Motor Co. of Canada. William H. Young, fourth generation of his family with what is now called The Hamilton Group, is a director of both the Steel Company of Canada and the National Trust, plus becoming a director of the U.S. controlled Gulf Oil of Canada in 1973. Charles N. Woodward, who inherited the dominant retail family firm, is a director of the Royal Bank as well as the U.S. controlled Westcoast Transmission Co. David G. Willmot, president of Molson's Companies, a director of the Bank of Nova Scotia and Crown Life, is also a director of Texaco Canada. John P. Gordon, president of the Steel Company of Canada and a director of the Bank of Montreal, is also a director of Gulf Oil of Canada. Robert J. Butler, the first non-Eaton to hold the presidency of The T. Eaton Company (although Fredrik S. and John Craig Eaton are still president and chairman of Eaton's of Canada, the fifth generation of the family to have done so), is also a director of National Trust and the U.S. controlled Gulf Oil of Canada.

The examples could be extended but they illustrate the same practice: members of the indigenous elite are frequently recruited to fill comprador positions in branch plants without themselves being comprador in terms of their main economic activities. This phenomenon again suggests an alliance rather than conflict between the dominant indigenous and comprador fractions, although this practice is obviously an unequal alliance.

It can be fully anticipated that as the Canadian operations of U.S. branch plants mature and become established, an increasing number of the executives will be trained and recruited within the Canadian operations and more members of the indigenous elite will be recruited into their board rooms. For example, this has already been occurring in the oil industry where a "Canadian executive now heads each of the Canadian subsidiary operations of the major U.S. oil companies" (Globe and Mail, January 3, 1976: B1). This does not mean that control has passed to Canada; as long as 50 per cent or more of the shares are held in the U.S., these companies are still clearly controlled by the U.S. parent. It does mean that increasingly members of the U.S. and Canadian economic elite are becoming integrated with one another in a mutually reinforcing power base.

While it is valuable to focus on the activities of elites, it is also necessary to distinguish between the effects of U.S. investment patterns in Canada on the nation as a whole and their effects on elites. The Canadian economy is very much integrated through resource extraction, power production, transportation, manufacturing and marketing with the U.S. Further, the U.S., either directly or through its branch plants, serves as an important outlet for Canadian financial investments. The net impact of this is paradoxical; it has produced both economic growth and underdevelopment. As a whole, Canada is dependent on the sway of the U.S. economy and the decisions of its economic elite. But many of Canada's economic elites, who have fostered and benefited by this arrangement, have integrated themselves as active participants in this system of dominance.

CHAPTER SEVEN

Comparison of Canadian and U.S. Economic Elites I: Careers, Class and Kinship

The corporate world analysed in the previous chapter operates as a closed social network, an association of like-minded people that limits access to its inner circles, that makes investment decisions, that determines who will manage corporations and what skills, products and lifestyles will be valued. It is a world of the rich and powerful. Although not always (but often), wealthy before they enter this world, certainly so when they become an established part of it.¹ Using the concepts and theoretical issues outlined in Chapter Two, it will be argued here that the economic elite is a self-selecting set of people who provide their own criteria for acceptability; this forms them into an elite that is also a socially interacting group with the power to direct corporations. However, the degree of exclusion, as argued earlier, will vary with other conditions. In this chapter characteristics of the U.S. and Canadian economic elites will be analysed and compared in light of what is already known about the nature of the two economies and their relationships, especially in terms of their variance in patterns of exclusion. The focus of this chapter is on the types of career avenues to elite positions, the class origins of the elite, inheritance and kinship ties within the elite. In the following chapter, corporate and social characteristics of the elite will be analysed. Finally, in Chapter Nine, the focus will be on relations between Canadian and U.S. members of the elite.

The following study is based on two comparable sets of data gathered for both the U.S. and Canadian economic elites.² While there have been many studies of the U.S. economic elite and managers, none of these studies is comparable with the one presented here.³ These other studies do, however, add depth to the findings for the U.S. reported here, particularly in terms of the class origins of top businessmen in the U.S. Few studies of

¹See Appendix XII, The 'Ownership-Control' Debate in the U.S.: The Power of Property.

²See Appendix XI, Methodological Note on Elite Biographical Data, for the coverage and sources for the material used here.

³See Appendix X, Studies of the U.S. Economic Elite and Executives.

economic elites or managers have been done for Canada.

The major conclusion of this and the following chapter is that the U.S. economic elite is clearly more 'open' to those from outside the upper class than in Canada. Nevertheless, there remains a central core of the U.S. elite who are drawn from the upper class, who inherit their positions and have their main careers in family firms. Outside of this core is where the U.S. elite is more open, recruiting from a much broader class base than is the case in Canada. This finding is consistent with the other points of comparison made earlier in terms of less concentration within the U.S., a lower density of interlocks and an expanding economy (both within the U.S. and the world). But, as will be argued in detail later, the fact that the Canadian elite is so closely knit and drawn from such a narrow segment of Canadian society is related directly to the penetration of Canada by the U.S. In particular, it is related to the fact that Canadian elites have been confined to the sphere of circulation while the sphere of production has been 'captured' by outsiders. With this much narrower 'turf' than that enjoyed by the U.S., the Canadian upper class has been forced to hold tightly to its position. With Canadian upper class dominance in the sphere of circulation and external dominance in the sphere of production, there has been little 'room' left for indigenous Canadian capitalists outside the sphere of circulation to make their claims felt.

Career Patterns of the Economic Elite

The career patterns of most members of the elite can be divided into various main types describing the major avenues they have used to gain access to the economic elite. Each elite member was classified by the main pattern best characterizing their career. Since these are not mutually exclusive types, some have secondary patterns to be discussed under each career. The following table compares the U.S. and Canadian members of the economic elite according to these patterns.

As can readily be seen from this table, there is little difference between the U.S. economic elite in terms of the U.S. born and the entire elite, while in Canada there is a considerable difference.

TABLE THIRTY
Career Patterns of U.S. and Canadian Economic Elites

MAIN CAREER PATTERN	Canadian 'Born'	Canadian All	U.S. 'Born'	U.S. All
Engineering & Science	10.8%	12.8%	15.2%	14.2%
Financier & Finance Executive	15.4%	16.0%	12.2%	11.9%
Law	17.6%	15.8%	12.0%	11.2%
Finance Department	6.7%	7.8%	11.4%	11.2%
Commerce	4.8%	5.2%	7.1%	7.0%
Other Elite	7.8%	7.1%	5.8%	5.9%
Other Sector	2.5%	2.5%	3.5%	3.7%
Family Firm	26.8%	24.4%	19.3%	18.6%
Own Account	1.5%	1.8%	1.4%	1.4%
Unclassified	6.1%	7.0%	12.2%	12.6%
Total	100%	100%	100%	100%
(N)	(683)	(798)	(1894)	(2007)

In the following discussion, the comparisons between Canada and the U.S. will be made between two mutually exclusive sets of data; since the U.S. elite includes all members holding elite positions in its 194 dominant corporations, whether they are resident in the U.S. or not, while the Canadian elite includes only Canadian residents in its 113 dominant corporations⁴, the two comparable sets are those 'born' and resident in Canada (683) and those 'born' and resident in the U.S. (1,894). Later the differences between Canadian and foreign born will be analysed. Unless specified otherwise, the following analysis is based on the mutually exclusive sets of those 'born' and resident in Canada and the U.S. 'Born' in both cases includes those actually born in the particular country and, in a few cases, those born to parents normally resident there but temporarily out of the country at the time of the elite member's birth.

Engineering and Science

A greater proportion of the U.S. elite have careers encompassing the technical training and skills of engineering and science (15.2 per cent) than their Canadian counterparts (10.8 per cent).⁵ This pattern is to be

⁴ The question of foreign resident members of the Canadian and U.S. elites is examined later.

⁵ The foreign born in Canada are much higher on engineering and science than either the Canadian born or U.S. elite with 24.3 per cent falling within this classification. This reflects the historical underdevelopment of technology in Canada but also the fact of such high foreign ownership in the sphere of production, the sphere where most technology is applied. This question will be returned to later.

expected, given the greater emphasis on research and development in the U.S., as the location of the parents of most multinational corporations. An additional 4.5 per cent of the U.S. elite, whose main careers have been classified elsewhere, have a secondary career in engineering and science. This includes 23 per cent of those whose careers have been in another sector (but not elite), 16 per cent from another elite such as the state or military, 17 per cent of those who have made it into the elite 'on their own account' and 11 per cent with careers in family firms. In Canada, an additional 5.4 per cent have engineering and science as a secondary pattern with the same areas most prevalent: other sector (12 per cent), other elite (15 per cent), own account (10 per cent) and career in family firm (12 per cent).

Among those with engineering and science as their main careers, there is a wide diversity between various sectors where this type is most characteristic. The patterns are very similar in Canada and the U.S., with 43 per cent in U.S. resources of this type and 47 per cent in Canada; in manufacturing, both are 20 per cent and both 26 per cent in transportation/utilities. While there are none of this type with Canadian trade as their main affiliation, there are 7 per cent in the U.S. and only one per cent for each in finance. Thus, the technically skilled members of the elite are much more valued in the resource sector than in any other, but the difference between Canada and the U.S. in this respect is, of course, that the U.S. owns most of Canada's resources. This has the effect of depressing the proportion of Canadian born elite with this type of career pattern. An interesting example of an elite member in the resource sector illustrating several aspects of this career type is Jerry McAfee, who just became chairman of Gulf Oil, leaving the presidency of Gulf Oil of Canada after the recent 'shake-up' over illegal political contributions in the parent company. Texas-born, "like his father before him, McAfee is a chemical engineer and a career-man with Gulf" (Toronto Star, January 17, 1976:D8).

But unlike McAfee, most of those in engineering and science do not have upper class backgrounds. In fact, of all career types they are the least likely to come from upper class origins. In the U.S., only 10 per cent of this type have upper class origins and in Canada, 'only' 32 per cent (which is extremely low by Canadian standards). This is counteracted somewhat by those whose secondary pattern (that is, those whose main pat-

tern is classified elsewhere) is in engineering and science. In the U.S., 58 per cent of the secondary patterns in this type are held by elites with upper class origins and 75 per cent of those in Canada. Nevertheless, this is the major career pattern for those from outside the upper class for becoming members of the elite. The fact that there are fewer of this type in Canada's elite has a considerable effect on the class origin of that elite.

Within dominant corporations in the U.S., these technical types are most often found in insider positions (such as vice-presidents or any official of the company not having an 'executive' position), accounting for 26 per cent of all insiders in dominant corporations, 19 per cent of executives (presidents, chairmen and vice-chairmen), but only 7 per cent of outsiders (those on the company's board of directors but not company officials). A similar pattern occurs in Canada with this type also accounting for only 7 per cent of outsiders but 14 per cent of insiders and 16 per cent of executives. The fact that a greater proportion of the Canadian elite is composed of outsiders than in the U.S. also serves to reduce the number of technical types in the elite and hence the proportion from outside the upper class is also reduced.

Reflecting their origins from outside the upper class, but also the fact that their skills are valued among the elite, the science and engineering types are often 'groomed' within the corporation for long periods of time and before being drawn into the elite are sent off for a more generalist training. Of those in this career pattern in the U.S., 10 per cent also have a secondary career in commerce, while only 4 per cent in Canada have this additional pattern. This is facilitated by the Advanced Management Program at Harvard, to be discussed shortly, where Robert Urey Haslanger (vice-president of Pennzoil), Ellison Lockwood Hazard (former chairman of Continental Can and now a director there, as well as with Goodyear and Southern Pacific), John Edward Meyer (president of Cities Service), John Leslie Ross (vice-president of Standard Oil (Ohio)), Raymond Camille Tower (vice-president of FMC and a director of Marathon Oil) and George Raymond Vila (chairman of Uniroyal and a director of Bendix and Chemical N.Y. Bank) were all sent late in their careers after initial training in technical skills. Because they typically come into the elite at an older

age than many of the other career types and because they tend not to hold on to their elite positions for as long as the others, the engineer and science types also tend to be the most 'middle aged' of all types.

Financier and Financial Executives

The different relative degrees of importance of the financial sectors in Canada and the U.S. is reflected in their differing proportions of financiers and financial executives among the main career patterns of each. More of the Canadians are of this type (15.4 per cent) compared to the U.S. (12.2 per cent). This type is almost exclusively confined to the finance sector, between them accounting for 59 per cent whose main affiliation is in the finance sector in the U.S. and 50 per cent in Canada. Many members of this type have secondary patterns which are more specialized in terms of education: in Canada, 10 per cent have a secondary pattern in commerce and 12 per cent training in law; in the U.S., commerce is a secondary pattern for 21 per cent and law for 10 per cent. Those with main career patterns elsewhere also tend to have secondary patterns as financiers or financial executives, including in the U.S. 17 per cent of those 'on their own account' and 15 per cent of those with careers in family firms, each of which accounts for another 10 and 19 per cent, respectively, in Canada. However, in Canada there are also 18 per cent of those from another sector and 9 per cent from another elite who have this career pattern once in the economic elite.

Aside from those with careers in family firms, the financiers and financial executives are the most upper class in the U.S. (32 per cent) and in Canada (with 51 per cent upper class), only behind careers in family firms and lawyers. In addition, many of those with secondary patterns in this type have upper class origins (63 per cent in the U.S. and 86 per cent in Canada). In the U.S., many sons of the upper class who do not continue in family firms or whose families were 'well connected' but did not own the companies that projected them into the elite, end up as financial types. A few examples will illustrate this pattern. Norborne Berkeley, Jr., whose father was a vice-president of Bethlehem Steel, is now president of Chemical New York Bank and a director of Uniroyal. Joseph William Chinn, whose father was president of Northern Neck State Bank, was chairman of Wilming-

ton Trust Company and is now a director of W.T. Grant and Uniroyal. Richard Pierce Cooley's father was chairman of South-West Bell and a director of the First National Bank and the son is now president of Wells Fargo and a director of UAL, Westinghouse and Pacific Gas and Electric. James Henry Higgins' father was president of Pittsburgh Plate Glass and the son is now president of Mellon National Bank and a director of Gulf Oil. Richard Devreux Hill's father was a lawyer and a director of several companies and the son is now chairman of First National Boston and a director of John Hancock Mutual. Walter Hines Page II is the son of Arthur W. Page, former vice-president of AT&T and a director of Chase National Bank, Continental Oil, Westinghouse Electric, Kennecott Copper and Prudential Insurance and the son is now president of J.P. Morgan & Co. and a director of Kennecott Copper. Richard Sturgis Perkins' father was president of City Bank Farmers Trust and a director of Union Pacific, National City Bank of New York, American Tobacco, Consolidated Edison, Anaconda Copper and others while the son was chairman of the First National Bank of New York and now a director of Allied Chemical, N.Y. Life, ITT, Southern Pacific and Consolidated Edison. John Bassett Moore Place's father, Herman G. Place, was vice-president of Chase National Bank and founder of General Precision. The son was president of Chase Manhattan until 1971, where he had spent his entire working life, when he left to become chairman of Anaconda (on which he sat as a board member since 1969). Besides his chairmanship of Anaconda, he is a director of Chemical New York, Celanese, Union Pacific and Metropolitan Life. James Dixon Robinson III's father was president of the Trust Company of Georgia and chairman of the First National Bank of Atlanta and the son is now president of American Express (attaining the position at 39) and a director of Union Pacific. Walter Bigelow Wriston's father was president of Lawrence College and later public governor of the New York Stock Exchange and the son is chairman of Citicorp and a director of General Electric and J.C. Penney. Willsie Winston Wood's father was superintendent of the California state banks and he is now chairman of the finance committee with Transamerica Corporation. There is a similar pattern among many of the financiers. More than any other career pattern, with the obvious exception of family firms, the top financial executives and financiers come from some of America's 'finest' families.

In Canada, this pattern is very similar among the financiers in the group while the financial executives, especially in banks, have traditionally been 'long crawlers' (working for over 20 years for the same company before becoming an officer). Recently, the pattern in banking has changed, relying more on university trained executives than those groomed in the organization. The effect has led to more upper class recruitment; for example, W. Earl McLaughlin, head of the Royal Bank, has upper class origins as does Richard Murray Thomson, head of the Toronto-Dominion Bank, whose father was vice-chairman of the Canadian Imperial Bank of Commerce.

Since financiers and financial executives are high in upper class recruitment in both Canada and the U.S., the fact that Canadians tend more toward this type adds to their recruitment from the upper class. Unlike engineering and science which is low on upper class recruitment, the financial executives and financiers are much higher and since the Canadian elite tends more toward the latter than the former, it is clear that career patterns have some implications for the differing rates of upper class recruitment in Canada and the U.S.

Lawyers

One of the greatest differences between the Canadian and U.S. economic elites, in terms of career patterns, occurs among the lawyers. While 18 per cent of the Canadian elite had their main careers as lawyers, this accounts for only 12 per cent of the U.S. elite. Many of the U.S. elite with main careers in law have experience and training in other areas; 12 per cent have had some career outside business and law, primarily in the state, 7 per cent are also financial executives and 5 per cent have secondary training in commerce. In Canada this is less prevalent, with 6 per cent of financiers and financial executives and 9 per cent from other sectors. However, more impressive is law as a secondary career, including 47 per cent of those from other sectors, 40 per cent from other elites, 16 per cent from family firms and 12 per cent of financial executives having training in law. In the U.S. the same pattern prevails but is less pronounced, with 16 per cent of those from other sectors, 23 per cent from other elites, 10 per cent of both those 'on their own account' and financial executives and about 7 per cent of those with careers in family firms.

There is a very marked difference in the type of lawyers in the two elites. In Canada, 68 per cent of the lawyers have partnerships as their primary affiliation, with only 12 per cent as executives, 15 per cent as insiders and only 5 per cent as outsiders without a partnership. In the U.S., only 46 per cent have a partnership as their primary post, with 31 per cent as executives, 12 per cent insiders and 11 per cent outsiders. This difference in main positions held by lawyers reflects their differing association with law firms. While about 12 per cent of the entire U.S. elite have been associated with a law firm, only 80 continue this association while 166 have left their law firms, mainly gravitating to the manufacturing sector. In Canada, 18 per cent have been associated with law firms but 115 continue, while only 28 have left with an additional 42 who have been corporate lawyers only without association with law firms. In Canada those leaving the firm gravitate equally to manufacturing and finance. Thus, in the U.S, the law firm is a step toward gaining an executive position in a corporation while in Canada the lawyers tend to operate in the elite mainly as outsiders, keeping the firm as their main base of operation. While internal lawyers are increasing in their importance in Canada, only 720 of all Canada's lawyers are 'house lawyers' and account for only 3.4 per cent of all lawyers in the country. Only 12 Canadian companies have 10 or more 'house lawyers' but the U.S. situation is much different. For example, General Motors has 120 internal lawyers in the U.S. but only two in the Canadian branch plant, in this case because General Motors of Canada is a private company while General Motors of the U.S. is publicly traded and consequently experiences more legal pressure.

Generally, those associated with law as a main career in the U.S. tend to be fairly high in upper class origin (26 per cent) but not nearly to the extent of Canada where they are only behind careers in family firms in this respect (57 per cent upper class). Of those with a secondary pattern in law, 40 per cent in the U.S. are of upper class origin and 75 per cent in Canada. There is also a difference between those associated with law firms and those leaving them in terms of class origin; in the U.S., those who were once but are no longer with law firms are less upper class (32 per cent) than those currently with law firms (40 per cent) while in Canada, this difference does not exist. In both cases, internal lawyers are less

likely to be drawn from the upper class. Thus, the fact that there are fewer internal lawyers in Canada as an avenue of mobility into the elite tends to increase upper class recruitment.

In the U.S. there are several examples of lawyers being recruited from fairly low class origins. The most outstanding example is Irving Saul Shapiro, the son of poor immigrants from Lithuania, whose father owned a small dry-cleaning shop in Minneapolis. Shapiro spent the first third of his career as an attorney with the Department of Justice in Washington, then moving to du Pont. At du Pont, "his reputation within the company rests in his management, in the final stages, of the extraordinarily complex divestiture of Du Pont's stock in General Motors in the early Sixties" (Fortune, January 1974:79). According to this report, Shapiro was involved in "one of the most successful corporate lobbying efforts in history, Du Pont got a bill through Congress in 1962 that saved the individual stockholders an estimated \$1 billion by permitting them to account for the G.M. stock they received as a return of capital, taxable at capital-gains rates. Shapiro directed the company's campaign in Congress and designed the divestiture plan" (152). Such impressive talents do not go unrewarded. In 1973, he was made chairman and chief executive officer of du Pont with a salary of \$250,000 a year and he is being drawn into the upper class social circles; "Shapiro has been proposed for membership in the Wilmington Club, the downtown bastion of the local establishment, and may not have to wait the usual eight years to get in" (154).

The most detailed analysis of key law firms in the U.S. is Erwin Smigel's The Wall Street Lawyer, where he argues that they are the "spokesman for big business." In his study, he shows that the senior lawyers in these firms were trained mainly in the law schools of Harvard, Yale and Columbia (72 per cent), are an integrated part of the upper class (30 per cent listed in the Social Register) and many have obtained their position in the firms through influence (29 per cent) (1964:39-40, 57). While the current analysis confirms many of Smigel's findings, other firms outside New York, like Ropes and Gray in Boston, with partners like Francis Hardon Burr, a director of American Airlines and Equitable Life, and Edward Benno Hanify, a director of John Hancock Mutual Life and American Telephone and Telegraph, are also important but not nearly to the extent as in Canada.

In the Canadian economic elite there are 23 key law firms with more than one member holding an elite position. Together these include 60 partners with 106 dominant directorships. Thus, law firms in Canada, to a much greater extent than in the U.S., serve to further integrate the economic elite by providing many additional connections between dominant corporations. This follows from the fact that the U.S. uses more internal lawyers while Canada's outside lawyers are drawn from only a few of the country's most prestigious firms.

There are nevertheless many cases where lawyers associated with top law firms come from well connected U.S. families. Charles Gillespie Blaine's father was president of Marine Midland, a director of Remington Rand, Studebaker and other companies, as well as many activities associated with the state such as head of the ECA Mission to Belgium and treasurer-director to the U.S. Services to China, while the son is a partner in Phillips, Lytle, Hitchcock, Blaine & Huber and a director of the Marine Midland Bank. Grayson Mallet-Prevost Murphy's father was a director of New York Trust, Guaranty Trust, Bethlehem Steel, Goodyear and also associated with the state and he is a partner with Shearman and Sterling and a director of Georgia Pacific and Celanese. William Piel, Jr.'s father was president of Piel Brothers and he is a partner with Sullivan & Cromwell and a director of Phillips Petroleum, while Fred Moore Vinson, Jr.'s father was Chief Justice of the U.S. and he is a partner with Reasoner, Davis & Vinson and a director of Lockheed.

However, the more general pattern, particularly compared to Canada, is where a current member of the elite was associated with a law firm then leaves that firm to take on an executive position with a dominant company. For example, William Graham Claytor IV's father was an executive with American Gas and Electric and the son was with Covington & Burling for 30 years, then becoming president of Southern Railway and a director of J.P. Morgan. R. Heath Larry's father was an executive with Pittsburgh Limestone and after a brief practice, the son went to U.S. Steel, now becoming vice-chairman and a director of Textron. An interesting case is George William Miller who moved to Textron from the prestigious Wall Street firm of Cravath, Swain & Moore "after Royal Little was impressed with his work in a raucous proxy fight with American Woolen" (Fortune, October 1971:33). He became president of Textron at 35 and is now its chairman and a director

of Allied Chemical. A different case is William Prior Patterson who was in private practice in Dayton, Ohio and is now chairman of the Third National Bank and Trust Company but also a director of National Cash Register; he is the grand-nephew of the founder of National Cash Register.

George Alfred Ranney, Jr. is particularly well connected. His father, who was once with the Bank of Montreal in Chicago, was chairman of Commonwealth Edison and a director of International Harvester, First National Bank and other companies while his brother-in-law is a director of Borg-Warner and First Chicago Bank. The younger Ranney was with Sidley, Austin, Burgess & Smith of Chicago for over 30 years and is now vice-chairman of Inland Steel.

As in the previous two types of career patterns, differences in these patterns in Canada and the U.S. serve as a partial explanation of differences in class recruitment to the two elites. In the case of lawyers, it is not only that they represent a greater proportion of the Canadian than the U.S. elite, but also the type of career patterns of the lawyers themselves which lead to elite positions. This type of difference is again marked in the following career pattern.

Finance Department

Directly counter to the lawyers, a greater proportion of the U.S. economic elite have had their main careers in the finance departments of corporations (11.4 per cent), which brings them in close contact with the financial workings of the corporations as chartered accountants, treasurers or comptrollers and provides them with an overview of experience of the fiscal operations of the company, while in Canada the proportion is much lower (6.7 per cent). Especially in the U.S., those with main careers in the finance department have combined this with secondary patterns and training. Most important here is additional training in commerce, which 26 per cent of those in this career type have while another 7 per cent are trained in law and 9 per cent are financial executives; in Canada, 17 per cent have training in commerce and 11 per cent are financial executives. Unlike those in the U.S. with their main careers in engineering and science who tend to be sent to Advanced Management Programs at Harvard after they have been with the corporation for some time, those who come through the

finance department overwhelmingly have taken MBA's immediately after their undergraduate work and then moved directly into the corporation but have specialized in the finance department of these corporations.

Like those in the engineer and science types, those coming through the finance department are typically career men and this is reflected in their class origins which are second only to the technical men in being from the lower classes in both countries. Only 14 per cent are from upper class origins and 35 per cent in Canada. Atypical would be Rawleigh Warner, Jr., whose father was chairman of the Pure Oil Company and a director of various corporations with the son working within the finance departments of various Mobil Oil subsidiaries, then becoming chairman and a director of Caterpillar Tractor, AT&T, American Express and Chemical N.Y. Corporation. More typical would be Frederic Garrett Donner, whose father was an accountant, with the son beginning as an accountant with General Motors in 1926, becoming a vice-president in 1941 and chairman in 1958, retiring to become chairman of the Alfred P. Sloan Foundation in 1968 and continuing as a GM director. He was important in establishing credit arrangements for wartime expansion under Alfred P. Sloan and Charles E. Wilson. Similar is Richard Charles Gerstenberg, whose father was a factory inspector in the Remington Typewriter Company, who followed a similar career at GM to that of Donner, eventually becoming chairman. Daniel Jeremiah Haughton followed a similar career out of the Alabama backwoods through the finance departments of aircraft companies to the chairmanship of Lockheed Aircraft and a directorship on Southern California Edison.

Once again, the Canadian pattern is to be lower in those career types with less recruitment from the upper class but higher in those where the upper class predominates. As in the case of engineering and science, another area of mobility for those from outside the upper class where foreign born were much more prevalent than Canadian born, so too in those with careers in the finance department where 13.9 per cent of the foreign born have had their careers compared to 6.7 per cent of the Canadian born.

Training in Commerce

The final type involving particular training or corporate career experience is those from commerce. This is rapidly becoming an important type among the economic elite, especially in the U.S. but also in Canada.

This is reflected in the age profiles for both elites, where the oldest are least likely to have a career in this type, followed by the middle age group while the youngest (with 7 per cent in Canada and 10 per cent in the U.S.) are most likely. Overall, a greater proportion of the U.S. elite falls into this type (7.1 per cent) than in Canada (4.8 per cent). Of all types in the U.S., commerce is most prominent as a secondary pattern, including 11 per cent of all other types, particularly for those with their main careers as finance executives (21 per cent), in finance departments (26 per cent), from other sectors (15 per cent), from family firms (11 per cent) and engineering and science (10 per cent). In Canada, only 6 per cent of the other types have commerce as a secondary pattern with finance departments most common (17 per cent), followed by finance, from other areas or other elites and family firms with between 8 and 10 per cent of each.

Those trained in business administration within the elite are very different in terms of class origin between Canada and the U.S. Like the lawyers in the U.S., they tend to have low representation from the upper class (16 per cent) while those with a secondary pattern in commerce are somewhat more upper class in origin (32 per cent). However, in Canada, 49 per cent of those in commerce as a main career pattern has been much more open in the U.S. than in Canada.

The MBA programmes at Stanford, University of Michigan, Dartmouth and Northwestern are all important in business administration training, as is the Advanced Management Program at Harvard, but clearly, the primary type of education among the current elite is an MBA from Harvard. This will be discussed further under education, but some sense of the common socialization process in the Harvard MBA programme will be provided here. The oldest Harvard MBA among the elite is Donald Kirk David, who graduated in 1919 and remained there to teach for some years, later returning as a dean. He has held executive positions among various dominant corporations; while now retired, he is a director of Pan American Airways and Great A&P in the U.S. as well as Alcan Aluminum in Canada. Altogether, seven of the commerce types in the U.S. elite graduated from Harvard's MBA programme between 1925 and 1930, now holding 11 dominant directorships; there were an additional five, whose careers are in family firms, there during the same period. Between 1931 and 1934, another 13

current elite members graduated from Harvard's MBA, together holding 29 dominant directorships, while 13 more graduated between 1935 and 1939, holding 22; an additional six with careers in family firms, between them holding 11 dominant directorships, were also Harvard MBA graduates over this period. Between 1940 and 1943, there were 23 of the commerce types graduating from Harvard with MBA's, between them holding 30 dominant directorships, with another seven from those in family firms. In 1947, 14 of the current elite graduated, now holding 22 dominant positions; between 1948 and 1950, 19 graduated with 23 dominant positions; between 1951 and 1954, 19 current members of the elite graduated with Harvard MBA's, with 28 current dominant positions; since then, another nine have graduated with 15 dominant positions. Obviously, the Harvard MBA programme has provided a common socialization ground for many members of the current U.S. economic elite, forging early friendships and a common set of assumptions. The role of education in making an elite into a social group will be returned to later.

Elite Switchers and Careers in Other Sectors

In both Canada and the U.S., there are a good number of members of the current economic elite who had their main careers in another elite, particularly in the state, and then switched into the economic world. A somewhat greater proportion have done so in Canada (7.8 per cent) compared to the U.S. (5.8 per cent); there is an added process where current elite members have switched from other sectors (3.5 per cent in the U.S. and 2.5 per cent in Canada) but did not hold elite positions there. One of the major reasons for this difference at the lower levels is the relationship between universities in the U.S. in contrast to Canada and the economic elite. Many of the elite and lower level switchers are moving from senior university posts, mainly presidents or chancellors, into the elite or they retain these positions and sit as outsiders on the boards of dominant corporations. A further difference is in the relationship with the military which tends to supply many high level personnel to the corporate world in the U.S. but not in Canada. However, in the movement from state elite positions, Canada is more pronounced. These issues will be explored in more detail in the later section on relations between elites.

Many of those switching elites in the U.S. have secondary careers in law (23 per cent) and science and engineering (16 per cent) and, to a lesser extent, as financial executives (7 per cent). The only secondary pattern prevalent among those switching from another sector is lawyers (11 per cent). In Canada, those coming from other elites have very high secondary patterns in law (40 per cent) with less in other types, while those from other sectors but not elite are again high in law (40 per cent). The most prominent positions these switchers hold in the elite are as outside directors, accounting for 11 per cent of all outside directors of dominant corporations in the U.S. and 12 per cent in Canada but only 2 per cent each in the U.S. for insiders and executives and only 5 per cent of Canadian dominant executives and no insiders. Thus, switchers are valued mainly for the contacts and experience they provide on the boards rather than as administrators or executives. They tend to be drawn from fairly high in the class structure in both Canada (46 per cent upper class) and the U.S. (29 per cent upper class).

A few illustrations will indicate the status of elite switchers and the importance of their main careers for their current U.S. economic elite positions. George Wildman Ball, former undersecretary of state, and now a senior partner with Lehman Brothers, is a director of Burlington Industries and AMAX. Former secretary of the treasury, Joseph Walker Barr, is now chairman of American Security Trust and a director of Minnesota Mining and Manufacturing and Burlington Industries (where he meets his old colleague George Ball). John Thomas Connor, a former colleague of George Ball and Joseph Barr, as secretary of commerce, is now chairman of Allied Chemical and a director of General Foods, General Motors and Chase Manhattan. Nicholas de Belleville Katzenbach, another former colleague of John Connor, George Ball and Joseph Barr, as attorney general and undersecretary of state, is now vice-president and general counsel of IBM. When he "prepared to leave the government and transfer to the chancellery at Armonk, another treble damage suit hit IBM, thus assuring Mr. Katzenbach, the new general counsel, that there would be plenty of work for him" (Rodgers, 1969:335; New York Times, November 12, 1972:3-4). Charles Franklin Luce, another colleague of the four mentioned above, was undersecretary of the interior,

and is now chairman of Consolidated Edison and a director of United Air Lines and Metropolitan Life. Peter G. Peterson, who became secretary of commerce under Nixon, after the above five left, is now working with George Ball, the former Johnson undersecretary of state, as chairman of Lehman Brothers, as well as a director of Federated Department Stores, General Foods and 3M. William Marvin Watson, another former colleague of the above five, as postmaster general of the U.S., is now vice-president of Occidental Petroleum. These examples give a rather strong indication of the way those with senior government positions are valued in the economic elite and how 'making it' in the state is a strong credential for being drawn into the U.S. economic elite.

In Canada, the practice is even more pronounced. Among the current economic elite are eight former federal cabinet ministers, five former provincial premiers, a former prime minister and three other provincial political elites. There are also 20 former members of the bureaucratic elite. However, this pattern of elite switchers and relations between elites will be returned to in more detail in the following chapter.

Career in Family Firm

In spite of cries about the death of family capitalism, those with careers in family firms have the greatest proportion of any of the career types examined for either the Canadian or U.S. economic elites. A greater proportion of the Canadian elite have had their main careers in family firms (26.8 per cent) than in the U.S. (19.3 per cent).⁶ Even in the U.S., the easiest way to make it into the economic elite is still to be born into it.

Those with their main careers in family firms also overlap with the other types outlined, but the primary reason for their being in the elite is an affiliation with a company where their father and often grandfathers were associated and occasionally with an uncle. This does not include all

⁶In my earlier analysis of the Canadian economic elite (Clement, 1975:174), it was reported that 18.8 per cent of the Canadian born elite had their careers in family firms. After additional research on those included earlier and by expanding the coverage of the elite for this study, it was found that 26.8 per cent had careers in family firms. This eight percentage point increase is the greatest difference between the initial gathering of data and the follow up. This suggests that it is more difficult to find out from biographical sources whether someone has had their career in

those who have inherited positions, which will be examined later, nor does it include all those born in the upper class, although all those with careers in family firms are themselves upper class and make up the solid core of the upper class. In addition to their careers in family firms in the U.S., 11 per cent have training in engineering and science, 6 per cent in law, 15 per cent have careers as financiers or financial executives, 11 per cent in commerce and 5 per cent in some other sector. In Canada, 13 per cent are trained in science and engineering, 16 per cent in law, 9 per cent in commerce while 19 per cent are financiers or financial executives.

In terms of their age profiles, those with careers in family firms in both elites are highest for both the oldest and youngest groups, illustrating that they enter the elite at an earlier age than any other career type and remain in the elite for a longer period than any other type. This continuity in the elite over time, both in their own careers and over generations, means that this type has the greatest impact of any on the 'character' of the economic elite. They set the tone and standards of the entire economic elite, selecting those deemed valued from the rest of the population. They are also the core of the property class because, unlike the executives who are rewarded with stock options that can make them wealthy, this set of people are wealthy before entering the elite and enter the elite because of the wealth and property accumulated by previous generations.⁷

Within dominant U.S. corporations, those with careers in family firms have only 10 per cent of the insider positions but 15 per cent of the executive posts and 26 per cent of the outside directorships. In Canada they are also highest among outside directors (33 per cent) but hold many more executive and insider posts in dominant corporations (20 per cent each). These two patterns reflect two basic types within the economic elite of those with careers in family firms. The first type are those whose careers are in large, but not dominant, family corporations which, in turn, provide them with a stepping-stone to outsider positions on the boards of dominant

a family firm than for other characteristics. It also suggests that since the methodology is 'conservative' in this respect, that the proportion with family firms in the U.S. would increase with additional research.

⁷ See Appendix XII, The 'Ownership-Control' Debate in the U.S.: The Power of Property.

corporations. While their primary inheritance is in a non-dominant corporation, this type often hold dominant outside directorships in the same companies their fathers once did, but this is not their primary affiliation. The second type are those with careers in dominant family controlled companies; that is, dominant corporations among the 113 Canadian ones or 194 U.S. ones identified earlier. Examples of these types are numerous. In fact, 365 examples of the two types among the current U.S. economic elite could be presented and 183 Canadian examples.

Some Canadian examples of dominant family firms include Simpsons and the Burton family. Charles Luther Burton became president of Simpsons in 1929 and was succeeded by his eldest son, Edgar. E.G. Burton was appointed president in 1976 while his uncle, G. Allan Burton is also chairman of the company. Five generations of Molson's have controlled what is now called Molsons Industries and five Eaton's have been president of Eatons with two members of the current generation still running the company. The Woodward family dominates the Woodward retail empire. The Weston's dominate George Weston Limited, the food manufacturer and retail empire. The Bronfman family remain in control of Distillers-Corporation Seagrams. Another branch of the family recently acquired Trizec, a dominant company primarily in real estate, and hold a 20 per cent interest in IAC Ltd., a dominant financial company. The Richardson family control Richardson Securities, the Billes' family Canadian Tire, the Burns' family Crown Life, the Loeb's control M. Loeb, the Scott's control Wood Gundy, the Steinberg's control Steinbergs, the Jeffery family London Life, the Wolfe's Oshawa Group and so on. All of these companies are dominant Canadian companies. But the decline of family capitalism was never very loudly proclaimed in Canada; it is in the U.S. where family continuity and nepotism is supposedly dead.

The following few will provide some indication of the continuity of membership in the U.S. elite. Kenneth Karl Bechtel is a son of Warren A. Bechtel, who established W.A. Bechtel in 1895 and the son has been associated with the company from 1921 to 1970, now holding a directorship on Wells Fargo. His brother, Stephen Davison Bechtel, was president of the company and a director of Morgan Trust, stepping down in 1961 so his son, Stephen Bechtel, Jr., could take his place at the age of 35. Now the third

generation commanding Bechtel, the grandson, also has directorships in General Motors, Crocker National Bank and Southern Pacific.

William S. Beinecke, whose family owns 55 per cent of Sperry & Hutchison, is a son of Frederick William Beinecke, a former executive of the company while the son is now chairman as well as a director of Consolidated Edison and Manufacturers Hanover.

Judson Bemis' father was chairman of Bemis Brothers, a position now held by the son, who is also a director of Northwestern Bancorporation and Northwestern Mutual Life.

William Wade Boeschstein's father was president of Owens-Corning Fiberglass, a position now held by the son who is also a director of Kroeger Company and American Electrical Power.

Otis Chandler's father and grandfather have been executives of Times Mirror, as he is now, becoming its publisher at 32 and now holding directorships with TRW and Pan American World Airways.

Lester Crown's father was chief executive of Material Service and a director of General Dynamics. The son is now president of Material Service, a director of General Dynamics, Esmark, Continental Illinois and Trans World Airlines.

Brothers Bruce Bliss Dayton and Donald Chadwick Dayton, have both been executives of the family firm, Dayton-Hudston, while Bruce is a director of Honeywell and Donald of Northwest Bancorp and Burlington Northern.

Albert Blake Dick II, grandson of the founder A.B. Dick, is now chairman of the company and a director of Commonwealth Edison, with another directorship on Marshall Field & Co. as his father before him had been.

Robert Stanley Dollar, Jr.'s grandfather founded Robert Dollar Co. and, like his father, is now president of the company with a directorship on Security Pacific.

Gaylord Donnelley's grandfather established R.R. Donnelley & Sons and his father was chairman of the company as well as a director on International Harvester, while the son continues as chairman of the family firm and is a director on Borg-Warner and First Chicago.

John Thompson Dorrance, Jr.'s father was president of Campbell Soup and a director of the Pennsylvania Railway, Prudential Life and Guaranty Trust of New York, while the son continues as chairman of Campbell Soup and is also a director of J.P. Morgan.

Marshall Field V became a director of Field Enterprises at 24 and its publisher at 32, following the steps of his father, right back to his great great grandfather, and the youngest edition is a director of First Chicago Corporation.

Aiken Wood Fisher has followed a career in Fisher Scientific, founded by his father in 1902, and is now a director of Mellon National and Equitable Life.

Two members of the fourth generation of Levi Strauss, great grandnephews of the founder, have had their careers in the family firm with Walter A. Hass, Jr., also a director of Bank of America and Peter Edgar Haas, a director of Crocker National, while their father, Walter A. Haas, is a director of Pacific Gas & Electric.

Prentice Cobb Hale, Jr., whose father was president of Hale Brothers Stores, vice-president of the Bank of Italy (now Bank of America) and Transamerica Corporation, is now chairman of the family firm and a director of Union Oil of California, Santa Fe Industries and Bank of America.

Henry John Heinz II is now chairman of H.J. Heinz and a director of Mellon National. His father, Howard Heinz, was also chairman of the family firm, inheriting it from his father who established it in 1869, and a director of Pennsylvania Railway and Mellon National Bank. "At his grandfather's knee fifty-five years ago, when he was eight, H.J. Heinz II learned that he would one day be expected to run the family business" (Fortune, October 1971:81).

Henry Lea Hillman, president of Hillman Co., as was his father, is also a director of National Steel, Chemical New York and General Electric.

Armory Houghton, Jr. inherited the chairmanship of Corning Glass from his father and grandfather and is also a director of IBM and Citicorp.

Joseph Lowthian Hudson, Jr. inherited the chairmanship of J.L. Hudson Co. from his father and is a director of Detroit Edison and National Detroit.

George Magoffin Humphrey was chairman of M.A. Hanna, chairman of the executive committee of National Steel Corporation and president of Iron Ore Co. of Canada; his son, Gilbert Watts Humphrey is chairman of Hanna Mining, chairman of the executive committee of National Steel and a director of General Electric and Texaco, as well as the dominant Canadian companies, Massey-Ferguson and Sun Life.

Robert Watt Miller was president of Pacific Lighting, as was his father before him, and a director of American Airlines, Standard Oil of California, American Trust and Caterpillar Tractor. His two sons are now executives of Pacific Lighting with Richard Kendall Miller also a director of Southern Pacific and Paul Albert Miller also a director of Wells Fargo.

Roger Milliken, a director of Westinghouse Electric, W.R. Grace and Citicorp and Minot K. Milliken, a director of Union Pacific, are both executives of Deering, Milliken, following the footsteps of Seth Mellen Milliken, the founder of the company in 1866 and his son, Gerrish Hill Milliken, who was also a director of National City Bank, N.Y. Life, Mercantile Stores and Monarch Mills.

Henry Thomas Mudd's grandfather, Seeley Wintersmith Mudd, was president of Cyprus Mines, as was his father Harvey Seeley Mudd, as well as a director of Southern Pacific and Texas Gulf Sulphur, while the third generation is chairman of Cyprus Mines and a director of Southern Pacific, Western Bancorp, Union Oil of California and Rockwell International.

Daniel Safford Parker's grandfather founded Parker Pens; his father was chairman of the company and a director of Northwestern Mutual, while the third generation is now chairman and also a director of Northwestern Mutual.

John Sargent Pillsbury, Jr.'s grandfather founded Pillsbury Mills and his father continued as chairman and a director of Northwestern Bancorporation; the most recent generation began with the company, later switching to become chairman of Northwestern National Life while still retaining a directorship on Pillsbury Company and is now also a director of Northwest Bancorporation and Boise Cascade.

John Mortimer Schiff's grandfather was a partner of Kuhn, Loeb & Co. as well as a director of Equitable Life, Western Union and Wells Fargo; his father, Mortimer Leo Schiff was also a partner with Kuhn, Loeb & Co. and a director of Western Union, Pacific Oil and Chemical Bank. The son is also a partner of Kuhn, Loeb & Co. and a director of Westinghouse Electric, Uniroyal, Great A&P, Getty Oil and Kennecott Copper and on the advisory board of Chemical Bank.

Byron Laflin Smith was president of Northern Trust, as was his son, Solomon Albert Smith, adding directorships on Commonwealth Edison, U.S. Gypsum and Montgomery Ward. The current chairman of Northern Trust, grandson of the founder, is Edward Byron Smith, also a director of Commonwealth Edison and Equitable Life.

Lloyd Bruce Smith, grandson of the founder of A.O. Smith Corporation, is now chairman of the company and a director of Goodyear Tire & Rubber, Continental Can and Deere.

Robert Douglas Stuart, Jr. is president of Quaker Oats and a director of First Chicago Corporation, CNA and United Airlines. His father, Robert Douglas Stuart, was president of Quaker Oats until 1953 when he became the U.S. ambassador to Canada, also holding directorships with the First National Bank of Chicago, Continental Casualty, Canadian Consolidated Grain and Bell Telephone.

While there are many more examples of those with careers in family firms that are not dominant, but who in turn hold dominant directorships, some illustrations of those who have their main careers in dominant U.S. corporations controlled by their families will now be presented.

Inland Steel was founded in 1893 by Joseph D. Block, serving as the board chairman until 1940. His two sons, Leopold E. (who was also a director of Buffalo Steel, Commonwealth Edison and First National Bank) and Philip Dee (also a vice-president of Chicago, Illinois & Indiana Railway and a director of First National Bank of Chicago), took over as executives of Inland Steel. Today, three grandsons of the founder are in command. Joseph Leopold Block and Leigh Bloom Block, both sons of Leopold E., are former executives and now directors of Inland Steel, while Philip Dee Block, Jr. is chairman of the executive committee.

Ralph Budd "was a protege of James J. Hill and a legendary president of both the Great Northern and the Burlington" Railways (Fortune, August 1972:132), as well as a director of First National Bank of Chicago, International Harvester and Equitable Life. His son, John Marshall Budd, is former chairman of Burlington Northern and now a director as well as a director of New York Life and, like his father, International Harvester.

An interesting case is Hugh Brown Cannon, who was president of Windsor Farm Dairy Importers when the company was merged with Beatrice Foods, upon which he then sat as a director. Brown Woodburn Cannon, his son, is now a

vice-president and a director of Beatrice Foods.

Carlyle Robert Carlson, Jr. started the Deere & Co. factory in Welland, Ontario in 1930 and was also a director of Deere & Co. His son, Robert John Carlson, is now a vice-president and a director of Deere. William Alexander Hewitt married the daughter of Charles Deere and he is now chairman of Deere & Co. as well as a director of AT&T, Continental Oil and Continental Illinois, plus sitting on the international advisory board of Chase Manhattan Bank.

Lammont du Pont Copeland is the great great grandson of Eleuthere Irenee du Pont, founder of du Pont's in 1802 and nephew of three successive presidents of the company; he is now a director of du Pont after being its chairman and is also a director of Chemical New York Bank. Norman A. Copeland is also a vice-president and director of du Pont. Irenee du Pont, Jr. is also a vice-president and director. His brother-in-law, Crawford Hallock Greenwalt, a former president and chairman of du Pont's, is now a director there as well as with Boeing; "on Greenwalt's wedding day in 1926, his father-in-law Irenee du Pont gave him 1,000 shares of Christina Corporation, the holding company that owns gobs of du Pont stock. By 1959 Greenwalt owned 4,096 shares of du Pont common (at \$250 a share) and 687 shares of Christina common (at \$17,000), for total holdings worth about \$13 million" (Elliott, 1959:22). Charles Brelsford McCoy, former chairman of du Pont and now a director, is also a director of TRW, Citicorp and Bethlehem Steel; "McCoy had begun his du Pont career in 1932 as an operator of a cellophane machine, and the fact that his father was a du Pont director [and vice-president] appears to have had nothing to do with his steady progress" (Fortune January 1973:70). Currently, nine family members are on du Pont's board.

In 1848, Ferdinand Cullman established the family tobacco business in the U.S. Now two of his great grandsons are still executives. Hugh Cullman is executive vice-president of Philip Morris while Joseph Frederick Cullman II is chairman of Philip Morris and a director of Ford Motor Company, Bankers Trust New York as well as a director of IBM World Trade and chairman of Benson & Hedges (Canada).

William H. Danforth founded Ralston Purina; now two of his grandsons, Donald Danforth, Jr. and William H. Danforth II are directors of the company.

Charles Crocker Delimur "is resigning as senior vice-president of

the Crocker National Bank after a 29-year career in banking. His resignation...was said to be based on a desire to give closer attention to his family interests. The last descendant of the Crocker family, which founded the bank, actively involved in the institution, Mr. De Limur will continue as a director of the bank as well as its parent, the Crocker National Corporation" (New York Times, March 14, 1975:55).

Herbert H. Dow established Dow Chemical and his son, William Henry Dow, assumed the presidency upon his father's death. Now Herbert Henry Doan, whose mother was a sister of Willard Dow, a former president, is himself a former president and now a director of the company. Carl Allan Gerstacker, a nephew of James T. Pardee, Herbert Henry Dow's major backer, is now chairman of Dow Chemical and a director of Eaton Corporation.

James C. Donnell was president of Ohio Oil, as was his son Otto Dewey Donnell; now the grandson, James C. Donnell II is chairman of Marathon Oil (the company changed its name) as well as a director of Armco Steel and New York Life.

Benjamin Firestone's father may have been the richest man in Columbiano County, Ohio and left him a great deal of land but his son, Harvey Samuel Firestone, who founded Firestone Tire & Rubber certainly left his sons and grandsons a great deal more. Raymond Christy Firestone, son of the founder, is now chairman of Firestone Tire and Rubber while his brother, Leonard Kimball, former president and now a director of the company is also a director of Wells Fargo and Leonard Kimball's son, Kimball Curtis Firestone, is a vice-president and a director. Martha Firestone, daughter of Harvey Samuel Firestone, Jr., married William Clay Ford, whose grandfather had been Harvey Samuel Firestone's first tire customer in 1905. William Clay Ford is now a vice-president of Ford Motor while his brothers, all sons of Edsel Bryant Ford, son of Henry Ford, are both chief executives of Ford Motor Company.

Charles Thomas Fisher, Jr. was president of the Bank of Detroit and a director of Detroit Edison, American Airlines and National Steel, while his son, Charles Thomas Fisher III is president of National Detroit and a director of American Airlines, Detroit Edison and General Motors, as well as a director of Hiram-Walker-Gooderham & Worts, a dominant Canadian company.

William Russell Grace founded W.R. Grace, later run by Joseph Peter

Grace, his son. Now Joseph Peter Grace, Jr. is chairman of the company as well as a director of Kennecott Copper and Citicorp, as well as Brascan, a dominant Canadian company.

Henry J. Kaiser organized Kaiser Steel and 60 years ago founded Kaiser Resources in Vancouver, British Columbia. His son, Edgar Fosburgh Kaiser, is now chairman of Kaiser Aluminum and a director of Bank of America while the grandson, Edgar F. Kaiser, Jr. at 32, heads the Kaiser Resources Company in Vancouver. The family continues to have 42 per cent of all stock in Kaiser Industries.

The fourth generation of Lazarus brothers continues at Federated Department Stores, with Charles Y. as a vice-president and director, Maurice as chairman of the finance committee and Ralph as chairman as well as a director of General Electric and Chase Manhattan Bank.

William C. Liedtke, Jr. is president of Pennzoil and John Hugh Liedtke is chairman. The situation at Lykes-Youngstown is similar with Joseph T. Lykes as chairman, J.M. Lykes as a vice-president and a director and C.P. Lykes as a director.

Brooks McCormick brings together the entire history of harvester companies in the U.S. He is a great grandson of William Deering, founder of one harvester company and of William S. McCormick who founded another. Besides being president of International Harvester, he is also a director of Esmark, Commonwealth Edison and First Chicago Corporation.

James Smith McConnell, John Finney McDonnell, William Archie McDonnell and Stanford Noyes McDonnell are all members of the executive or directors of McDonnell Douglas.

Appropriately, the youngest member of the economic elite, born in 1942, is Seward Prosser Mellon, who is on the board of Mellon National, having become president of Richard K. Mellon and Sons at 28. His great grandfather was Judge Thomas Mellon, who established T. Mellon & Sons, his grandfather, Richard Beatty Mellon, president of Mellon National Bank, and his father, Richard King Mellon, chairman of Mellon Bank and a director of Alcan, General Motors, Gulf Oil, Pennsylvania Railway, PPG and Westinghouse. The 'Prosser' in his name is from his mother, daughter of New York banker, Seward Prosser. He is not much older than Richard Mellon Scaife, also on the board of Mellon National, born in 1932 to Sarah (Mellon)

and Allan Magee Scaife, chairman of Scaife Steel and a director of Mellon National, Gulf Oil, Bell Telephone and other companies suitable for an heir to the Mellon fortune.

Three sons of William Francis O'Neil, founder of General Tire, now hold the three top posts: John James O'Neil as chairman of the finance committee, Michael Gerald O'Neil as president and Thomas Francis O'Neil as chairman.

Three Pew's, John Glenn Pew, Robert Anderson Pew and Walter C. Pew, are all still on the board of Sun Oil. But this is topped by the four Reynolds brothers, all sons of Richard Samuel Reynolds, the founder of Reynolds Industries. Julian Louis Reynolds is vice-president and a director, William G. Reynolds is the same, as is David Parham Reynolds, while Richard S. Reynolds, Jr. is chairman and president as well as a director of Manufacturers Hanover.

David Rockefeller continues a long family tradition with his chairmanship of Chase Manhattan while James Stillman Rockefeller, who resigned as chairman of National City Bank, now continues as a director of Pan American World Airlines and National Cash Register.

William Frederick Rockwell, Jr. follows his father as chairman of Rockwell International, adding directorships on El Paso Natural Gas and Mellon National.

Since 1914, the Watson family has dominated International Business Machines, beginning with Thomas John Watson. "In raising his sons, Thomas J. Watson, Sr., an old fashioned authoritarian with a formidable personality, imposed standards of achievement & decorum similar to those with which he ran IBM, where employees were required to conform to a strict set of rules ranging from white shirts to teetotalism" (Current Biography, 1971: 434). Until his death in 1974, Arthur Kittredge Watson remained a director, having been president, then chairman from 1954 to 1970, then U.S. ambassador to France. Thomas J. Watson, Jr. continues as chairman of the executive committee and a director of Bankers Trust New York and Pan American.

The final two examples are both associated with dominant corporations in the wood industry. Having a father prominent in the lumber industry and marrying the daughter of a prominent lumberman, Frederick Edward Weyerhaeuser was president of Weyerhaeuser from 1934 to 1945 and his son, Charles Davis

Weyerhaeuser, continues as a director of the company and chairman of Com-erco, a wood stains company. George Hunt Weyerhaeuser, son of John Philip Weyerhaeuser, Jr., president of Weyerhaeuser from 1947 on, became president in 1966 and is also a director of Boeing. Anthony Zellerbach established a small paper company in 1870, carried on by Isador Zellerbach, his son, who became chairman of Crown-Zellerbach. His son, Harold Lionel Zellerbach, continues as a consultant and director emeritus after a long career with the company, while the fourth generation is represented by his son, William Joseph Zellerbach, who is president of Zellerbach Paper and an officer and a director of the parent company.

Some may feel that this set of examples exhausts the cases of careers in family firms within U.S. dominant corporations and among the current U.S. economic elite. Actually, these represent only one quarter of the cases that could be presented. It is clear that family capitalism is not dead in the U.S. Rather, its vitality has continued to persist in the era of corporate capitalism; the form has changed but not the substance. The following section on class origins within the U.S. economic elite, in comparison to Canada, will illustrate some ways these transformations of form have occurred in the U.S. But, before this is done, one final career type that directly contrasts with main career in a family firm will be examined.

Own Account

To say someone has 'made it on their own' into the economic elite does not necessarily mean they have risen from the depths of society. Rather, it means that the person has been able to establish, within the course of their lifetime, a corporation that is either dominant in itself or of sufficient consequence to project them into the circle of elites through an outside directorship on a dominant corporation or by being absorbed by a dominant corporation. For every one member of the U.S. economic elite that made it 'on their own account,' there are fourteen who have had careers in family firms. In Canada the ratio is one to eighteen. In fact, the 1.4 per cent of the U.S. elite in this category is about the same as the 1.5 per cent in the Canadian elite. No one in any other categories has made it into the U.S. elite 'on their own account,' but of those in this classification as their main career pattern, 10 per cent have been

in another elite, 17 per cent have training in engineering or science, 10 per cent have training in law and 7 per cent in commerce, while 17 per cent are financiers or financial executives. The 10 Canadian born members of this type do not lend themselves to percentages. The declining importance of this type, and the fact that they enter the elite at a much later age than others, is reflected in the fact that they are highest in the oldest age group and lowest in the youngest in both Canada and the U.S. The fact that not all are drawn from the depths of society is reflected in their relatively high class of origin with 23 per cent upper class in the U.S. and 40 per cent in Canada.

Keeping in mind that it would not be possible to assemble in total even close to the number of examples of careers in family firms listed earlier, some of the most prominent examples of 'own account' in the U.S. will be provided. Henry Crown, born in 1896 to a Lithuanian immigrant family of suspender makers, began as a partner with his brother Sol, in 1916 and eventually, through Material Service Corporation, which became a division of General Dynamics, was able to become the owner of 18 per cent of this dominant company's stock and now continues as chairman of the executive committee. The climb, of course, was not so difficult for his son Lester, who is now president of Material Service and a director of General Dynamics, as well as Trans World Airlines, Continental Illinois and Esmark. Richard Win Courts is in the elite because of his directorship on Delta Air Lines, but his career was made in Courts and Co., which he founded in 1925. Likely the most entrepreneurial of all is Armand Hammer who salvaged his father's pharmaceutical company and went on later to build Occidental Petroleum 'from scratch,' continuing now as its chairman.

William Redington Hewlett and David Packard were co-founders of Hewlett-Packard in 1939. Each continues as a chief executive of the company, although Packard took time out between 1969 and 1971 to be deputy secretary of defence. While the company itself is not dominant, it is sufficient as a base of power to place Packard on the boards of Standard Oil of California, Trans World Air and Caterpillar Tractor and Hewlett on Chase Manhattan Bank, FMC and Chrysler. The former classmates at Stanford have done well in the field of electronics research.

Earl Robert Kinney was founder of North Atlantic Packers and his company became a subsidiary of General Mills in 1968 and he assumed the presidency of the parent in 1973, also holding a directorship on W.T. Grant. A similar pattern occurs with Herman Warden Lay, founder of H.W. Lay, later known as Frito-Lay, which merged with PepsiCo in 1965, yielding Herman Lay 500,000 shares in the dominant company and making him the largest individual stockholder and chairman of the executive committee of PepsiCo.

James Smith McDonnell, Jr. was, with his brother William Archie McDonnell, a founder of McDonnell Douglas in 1939 and continues as chairman while the second generation sons of the founding brothers have now taken on executive positions. Leonard Parker Pool was a founder of Air Products & Chemicals and continues, since 1940, as its chairman and also has a directorship on American Standard. Carleton Putnam was a founder of Chicago and Southern Airlines; briefly becoming chairman of Delta Airlines in 1953-1954 and continuing since as a director. Simon Ramo, another son of immigrants from Lithuania who operated a small clothing store, was a co-founder of The Ramo-Woodridge Corporation, now known as TRW and continues as its vice-chairman. Meshulam Riklis, whose parents were 'well-to-do' immigrants from Turkey, created Rapid-American. Ross David Siragusa, Sr., founder of Admiral Corporation, is now a director of Rockwell International, since its absorption by Rockwell, as is his son Ross David Siragusa, Jr., who is a vice-president and a director of Rockwell. Charles Bates Thornton, whose father had made and lost fortunes before him, was involved in the formation of Litton Industries in 1953 and is now its chairman as well as a director of Trans World Airlines and Western Bancorp. Theodore Albert von der Ahe founded Von's Grocery Co. with his father in 1932 and is still chairman but also a director of Bank of America. Finally, Sam Doak Young was one of the original organizers of the El Paso National Bank in 1925 and has been its chairman since 1952 and is also on the board of El Paso Natural Gas.

These examples illustrate that there remains a certain openness for access to at least certain activities within the U.S. elite, particularly at one time the chemical and airline industries, but the pattern is clearly away from this type of entrepreneurship and toward solidifying already es-

tablished firms into dominant corporations and by continuing with the pattern of family continuity after the founding generations. Some sense of the aggregate patterns can be seen in the earlier elite studies where the continuity among the elite over time is broadly apparent through class origins.⁸ This subject will now be examined comparatively for the contemporary period, taking into account differences reported here in career patterns.

Economic Elite Class Origins

The class of origin of members of the economic elite gives a strong indicator of the extent of reproduction of privilege over generations; in other words, it provides a key indicator of the relative proportions of those characterized by a class of reproduction (that is, those who gain their position because of kinship) and a class of nomination (that is, those selected by those in power). By using biographical data, this study is able to be much more precise at the level of the upper class than is a survey conducted by questionnaires (as in the study reported in Chapter Nine on the migration of managers or in many of the studies of U.S. business leaders discussed in Appendix X). The questionnaire type of study, however, can be more precise for the middle and working class origins of those surveyed.⁹ Therefore, the strength of this study lies in being able to establish the crucial dividing line between the upper class and those outside it. Certainly if the major focus is on power, then this is a more important division than any of the others; if the focus were mainly on mobility, as most studies of 'business leaders' have been, then much more precise divisions of the middle and working classes would gain importance. However, since there are many studies of this later type for the U.S., these can be used to complement the present study.

The class categories used here are not comparable with earlier studies of 'business leaders' but they are comparable between Canada and the

⁸ See Appendix X, Studies of the U.S. Economic Elite and Executives.

⁹ One further advantage of biographical as opposed to questionnaire methods for elite studies is the response rate. Questionnaires of a mail-out variety normally receive about a 50 per cent return while personal interviewing is most difficult for national elites because they are dispersed and generally not accessible. Biographical studies, like the ones here, are able to get coverage of from 80 to 85 per cent.

U.S. Nevertheless, these 'business leaders' studies provide important insights in mobility patterns of U.S. business. The fact that throughout the studies of U.S. 'business leaders' only about 10 per cent of the population supply about 70 per cent of the 'business leaders,' suggests low mobility into top corporate positions in the U.S. On the other hand, about 60 per cent of the population with working class origins in wage or office work supplied only about 10 per cent of the 'business leaders.' The remaining 20 per cent of 'business leaders' are drawn from about 30 per cent of the population who are professionals, white collar workers or farmers.¹⁰ However, these studies were designed mainly to analyse mobility rather than power.

In this study, only about two per cent of the population of either Canada or the U.S. falls into the category of upper class. The meaning given here to the term upper class is very specific and encompasses only the very top layer of society. The fact of missing data acts as a 'conservative' faction because it must be proven that a person is from the upper class and, if not, they then fall outside the upper class.¹¹

What must also be stressed is that the class origin of the economic elite is being analysed here, not their current class position. The class of origin indicates where the person started life in the class structure thus conferring advantages before they enter the labour force. There is no difficulty in comparing Canada and the U.S. in terms of upper class origins. The criteria are very specific, such as whether the father was in the economic elite or another elite of the previous generation, whether the wife comes from an elite family which provided the husband with an upper class start, or whether the father was in a 'substantial' business which was

¹⁰ For a detailed review of these studies, see Appendix X, Studies of the U.S. Economic Elite and Executives.

¹¹ The effect of missing cases, that is, that the coverage is 82 per cent for the U.S. elite and 84 per cent for the Canadian elite, does not distort comparisons. An indicator of the effect of missing cases and data is the change from the original analysis of the Canadian economic elite (which was based on 82 per cent coverage) to the set reported here (based on 84 per cent coverage). Increased information and coverage raised the proportion of upper class in the Canadian elite from 59.4 per cent to 60.9 per cent, a difference of 1.5 percentage points. Moreover, the findings of Bendix and Howton, when they used biographical sources to determine class of origin for businessmen in the U.S., suggests that there is no systematic difference between those for whom data was available compared to those for whom it was not. They

minimally middle range in size but not large enough to be considered dominant. Thus this excludes many whose fathers may have been with smaller companies or in the occupational classification of businessman or manager. The designation 'upper-middle' class, which is simply grouped with the upper class for broader comparisons, is used for those who attended one of the top private fee-paying schools.¹² This indicator has been used earlier for the Canadian elite and also for the U.S. elite (see Mills, 1945: 123). There is no difficulty with this indicator in terms of ascriptive characteristics since it is the parental generation that sends the child to these schools and they are the ones that had to pay the high admission fees for these schools. The effectiveness of this indicator is further reinforced by the fact that most of the current elite members who went to private schools attended during the depression of the 1930s when few had the funds required for this luxury. The role of private schools in the upper class will be returned to later.

As was suggested, outside of the upper class it is difficult to precisely determine whether a person is of middle or working class origins. In an earlier study of Canada, two indicators of middle class origin were used (see Clement, 1975:189-194). However, for comparisons between Canada and the U.S. these same indicators are problematic. With information on the occupation of the father, there is no difficulty of classification, using professionals, managers, businessmen, state or federal politicians and large farmers as middle class occupations. It is with the second indicator that the difficulties arise for comparison. In Canada, it is safe to assume that for those of the age of the current elite, that if they attended university, they were from relatively privileged backgrounds, since only 8 per cent of the male population the same age as the elite had even attended university (see Clement, 1975:192, 461). The same assumption

checked in terms of first job and other enabling circumstances, concluding, "We found only small and random differences between the two groups...it is apparent that a large proportion of those whose father's occupation was unknown came from relatively well-to-do families" (1959:125-126).

¹²Top private schools in the U.S. are those listed in Baltzell (1958) and Domhoff (1967). In Canada, schools of the Headmasters' Association were used plus the most exclusive Classical Colleges in Quebec.

cannot be made for the U.S. Comparing the over-18 populations of both countries, in the U.S., 19.2 per cent have attended university while in Canada, less than half this proportion (9.4 per cent) have attended university. Viewed another way, about one half the over-18 population in the U.S. have not completed high school, while in Canada this is three quarters. This basic difference in post secondary education makes this indicator problematic for comparison. As a result, it was decided to drop any analysis of the middle and working class and focus exclusively on the upper class origins which are clearly comparable between Canada and the U.S. (Although middle and working class origins of managers will be analysed in Chapter Nine.)

The results of applying these criteria to the elites of Canada and the U.S. illustrate that the U.S. clearly has much greater recruitment to its elite from those outside the upper class than in Canada. In the U.S., 555 members of the elite are solidly in the upper class because of their kinship ties with earlier generations from the upper class. In addition to this 29.3 per cent of the elite are another 119 who attended an exclusive private school, thus bringing the total percentage of upper class to 35.6 per cent for the U.S. In Canada, 338 members have kin in earlier generations from the upper class. Added to this 49.5 per cent of the elite is another 78 who attended exclusive private schools, bringing the total of upper class to 60.9 per cent for the Canadian economic elite. There certainly is a marked difference in the two elites when 61 per cent of the Canadian elite is upper class in origin compared to 36 per cent of the U.S. economic elite. Both, nevertheless, are well above the two per cent of the population with the same origins.

As was demonstrated in terms of those with careers in family firms earlier, there remains a solid core of families within the U.S. economic elite that transmits its positions to its children, just as there is in Canada. That is, there is a class of reproduction in both countries. The difference is in those selected in the class of nomination. In Canada, the class of nomination is still drawn from a very limited privileged class but in the U.S., a broader set of people serve as the recruitment base for the class of nomination.

In the U.S., 13 per cent of the current elite have fathers or, in a

few cases, uncles who were in the economic elite earlier, while in Canada, 29 per cent have fathers who were in the economic elite earlier. Thus, in the U.S., a greater proportion have had careers in family firms (19 per cent) than have fathers in the economic elite (13 per cent), while in Canada, fewer have careers in family firms (27 per cent) than fathers in the economic elite (29 per cent). The differences between Canada and the U.S. widen until all upper class indicators are applied and the U.S. has 36 per cent upper class and Canada 61 per cent. Moreover, an earlier analysis for Canada demonstrated that the trend here is toward greater upper class recruitment in the elite than 20 years ago, with 50 per cent upper class in 1951 and 59.4 per cent in 1972 (Clement, 1975:189ff).¹³

Part of the explanation for differences in class origins is accounted for by the career types already examined. Engineering and science has the lowest upper class origins in both Canada and the U.S. and it is a more prominent career type in the U.S. Career in the finance department accounts for a much greater proportion in the U.S. and also tends to be among the lowest of all types by class of origin. Finance executives and financiers, on the other hand, are high in upper class origins for both but they are a much higher proportion of the elite in Canada than in the U.S. Similarly, law is high in upper class origins and there is a much greater proportion of this career type in Canada compared to the U.S.

These major differences in career types explains some of the differences in class of origin for each elite, with Canada tending to be higher on those outside the upper class. Careers in law and financial executives account for the greatest part of the differences, along with career in family firm. To understand other factors explaining these differences in class recruitment into the two economic elites, it will be necessary to provide a more detailed analysis of other characteristics and patterns. This will be done in the following section and chapter.

¹³ Another study by Craig McKie of 'business leaders' in Ontario's manufacturing companies confirms the general findings for Canada, with McKie saying, "One immediate conclusion to be drawn therefore is that the characteristics which Porter described as being typical of the Canadian economic elite, also characterize those who occupy the next level down in at least Ontario manufacturing industry" (1974:307-308).

It is important to stress the fact that there is still a core of over a third of the U.S. economic elite that is of upper class origin. This means that there persists a self-reproducing upper class in the U.S. that continues to set the tone for the economic elite. To understand the nature of this relationship between the economic elite in the U.S. and the upper class, a series of indicators will be used. That there continues to be an upper class in the U.S. is not in doubt, as E. Digby Baltzel has shown; "there exists one metropolitan upper class with a common cultural tradition, consciousness of kind, and 'we' feeling of solidarity which tends to be national in scope" (1964:389). The continuity of this upper class within the current U.S. economic elite is evident. For example, 82 per cent of those whose fathers were in the economic elite inherited some position, 80 per cent have had their main career in a family firm and 28 per cent hold more than one dominant U.S. directorship. If a member of the current economic elite had a father in a previous economic elite in the U.S., they have a 99 per cent chance of not having to make the 'long crawl' of 20 years within a corporation before attaining an executive position (only two of 244 did this). It is to some of these characteristics of the economic elite that attention will now be turned, particularly in terms of kinship ties and inheritance, returning in the next chapter to other differences in class of origin between Canada and the U.S. economic elites.

Inheritance and Current Kinship Ties in the Economic Elite

The transmission of privilege through inheritance is an important part of maintaining an upper class. It is not possible here to systematically analyse the inheritance of property but it is possible to trace the inheritance of corporate positions. The persistence of a core class of reproduction is illustrated by the fact that exactly 20 per cent, or one in every five, current members of the U.S. economic elite has inherited some position. This includes 18 per cent who have inherited their main current affiliation and, overlapping with this set, 9 per cent who have inherited a position in a dominant corporation. In Canada, 26 per cent of the entire economic elite have inherited some position, including 29 per cent of the Canadian born and 10 per cent of the foreign born. This includes 24 per cent who have inherited their main current affiliation and, over-

lapping with this set, 13 per cent who have inherited a position in a dominant corporation. Included in the U.S. economic elite are 183 members who have inherited their main affiliation but not a dominant position, 158 who have inherited only a dominant position but not their main affiliation and 23 who have inherited corporation positions that are neither main nor dominant.

Inheritors in both Canada and the U.S. tend to be over represented in bank directorships but this over representation is most marked in Canada. Of the U.S. inheritors, 27 per cent have a dominant bank directorship compared to 21 per cent of the non-inheritors while in Canada, 36 per cent of the inheritors have a dominant bank directorship compared to 21 per cent of the others. As with all the indicators of privilege, the inheritors in both Canada and the U.S. tend to enter the elite at an earlier age and remain longer than the others, thus providing continuity to the elite.

The continuity of intergenerational transfers of position is further reinforced by current kinship ties within the elite. In the U.S. elite, there are 36 current father-son combinations, 49 current brothers and 72 other current kinship ties, such as fathers-in-law or uncles that could be traced through biographical sources. In Canada, there are 43 current father-son combinations, 49 current brothers and 63 other current kinship ties. However, because of the difference in size of the two elites, those with current kinship ties account for 7.3 per cent of the U.S. elite but 16.8 per cent of the Canadian elite.

Along with the inheritors, those with current kin form the core of the class of reproduction. The continuity of this subset is reflected in the finding that 94 per cent of those with current kin in the U.S. elite are of upper class origin, as are 91 per cent in Canada.

While many examples of inheritance and current kinship were provided in the section on careers in family firms, there are other types of kinship ties that help bind the elite together. The following are some examples from the U.S. elite: George Huguley Lanier, Jr., who is now chairman of his father's Mount Vernon Mills and a director of General Public Utilities, married the daughter of William Jerome Vereen, who was president of Maultrie Cotton Mills, as is his son now, who is also a director of Southern Co., making the current Lanier and Vereen brothers-in-law. Edward Lasker,

a director of Philip Morris, is a brother-in-law to Sidney F. Brody, president of Brody Investments and a director of Security Pacific, and they are both brothers-in-law to Leigh Bloom Block of Inland Steel.

Charles Sherwood Munson, honorary chairman of Airco Incorporated and a director of Greyhound as well as on the advisory council of Morgan Guaranty Trust, is the father of Charles Sherwood Munson, Jr., chairman of Eaton Corporation's audit committee and president of American European Securities, but there is no apparent corporate connection between them, although both belong to four clubs in common, including the Links and Union.

Courtland Davis Perkins, who was the chairman of space systems command at NASA and now a director of American Airlines, is a brother of James Alfred Perkins, former president of Cornell University and now a director of Chase Manhattan, and neither appears to have followed their banker father's footsteps.

Gaylord Donnelley of R.R. Donnelly & Sons and a director of Borg-Warner and First Chicago, married the sister of George Alfred Ranney, Jr., the vice-chairman of Inland Steel.

Warren McKinney Shapleigh, the president of Ralston Purina and a director of J.P. Morgan, married the sister of Tom K. Smith, Jr., a vice-president and a director of Monsanto.

Edson White Spencer, president of Honeywell and a director of Northwest Bancorporation, married the daughter of Robert Douglas Stuart, already mentioned as father of Robert Douglas Stuart, Jr., the president of Quaker Oats and a director of United Air Lines, CNA and First Chicago Corporation, who himself was U.S. ambassador to Canada and president of Quaker Oats as well as a director of several dominant corporations.

Brothers George Latimer Wilcox, vice-chairman of Westinghouse Electric, and Thomas Robert Wilcox, chairman of Crocker National Bank and a director of Boeing and Colgate-Palmolive, have had separate careers.

A final example of kinship ties is a case where children of current members of the economic elite have married. The daughter of Kendrick Roscoe Wilson, Jr., the vice-chairman of Avco Corporation and a director of Atlantic Richfield, married E. Newton Cutler III, son of E. Newton Cutler, Jr., a director of Consumers Power and American Standard. These kinship ties, in addition to those found in family firms, help to thread an important so-

cial web among the elite and are one of the many bonds which form it into an upper class. Further ties that bind will be explored in the following chapter.

Summary

This chapter has concentrated on comparing profiles of the Canadian and U.S. economic elites. It has demonstrated that the U.S. elite has a greater proportion of career types like engineering and science, careers in finance departments and careers following from training in commerce. These career avenues are the ones in both countries where most of those from outside the upper class gain access to the elite. On the other hand, the Canadian elite has greater representation from financiers and finance executives, law, other elites and family firms. These career types tend to be avenues used most often by the upper class in both countries for securing their elite positions. This difference in career patterns is partially reflected in the degree of upper class recruitment in the two elites, accounting for 36 per cent of the U.S. elite and 61 per cent of the Canadian.

In spite of this great difference in upper class recruitment, there still exists a core within the U.S. elite which inherits its positions (one fifth of the elite) as there is in Canada (one quarter). The persistence of this core is also reflected in current kinship ties within each elite and the fact that careers in family firms are the most common career patterns in both elites.

These findings are consistent with differences reported earlier with the U.S. less concentrated than Canada, less densely interlocked and commanding the leading position within the world system which allows it a great deal of room for expansion. In contrast, Canadian capitalists have found themselves 'boxed' into a narrow economic space with most of the areas of innovation in the sphere of production taken over by outsiders, particularly U.S. capitalists in command of multinational manufacturing and resource corporations. But, within its territory, the Canadian elite has been successful in reproducing itself and resisting outside intrusion.

The following chapter will again explore contrasting profiles of the U.S. and Canadian economic elites, particularly in terms of social and corporate characteristics. This will help to identify some of the basic differences between these elites which explain their recruitment patterns. Finally, in Chapter Nine the relationship between the two elites will be analysed.

CHAPTER EIGHT

Comparison of Canadian and U.S. Economic Elites II:

Corporate and Social Characteristics

Continuing with a comparative profile of the U.S. and Canadian economic elites begun in the last chapter, this chapter explores various salient features of the two elites. These include corporate characteristics such as the corporate sectors in which current members of the elite have had their careers, positions they hold in the elite (executives, insiders and outsiders) and an analysis of multiple directorship holders. Each of these corporate characteristics is analysed in terms of upper class recruitment into the elite. Following this is an analysis of ascriptive characteristics for both elites, aside from those based on class and inheritance discussed in the last chapter, such as region of birth, race and ethnicity and sex. Analysis of these characteristics allows an evaluation of the process of exclusion from the elite on other than class grounds. An examination of the two elites as social groups is then provided by focusing on common university training, private schools and private men's clubs. This acts as an indicator of the extent to which the elites in each country are simply an elite of position or an interacting set of people. Finally, the movement between the economic elite and other elites such as those from the state, military and academia is briefly examined.

I. Corporate Characteristics

Career Avenues and Class Origins of the Elite

It is important to analyse upper class recruitment between different career avenues within both the U.S. and Canada to see if there are any systematic differences in their openness to those from outside the upper class. This will be done for both economic and non-economic career avenues into each elite. The following table illustrates that there is actually more variation between economic sectors in the U.S. than in Canada.

TABLE THIRTY-ONE

Upper Class Origins and Career Avenues to the Elite

	Per Cent Upper Class		Number of Cases	
	Canada	U.S.	Canada	U.S.
Transportation/Utilities	58%	16%	(43)	(130)
Finance	65%	46%	(178)	(333)
Resources	47%	32%	(45)	(117)
Manufacturing	61%	38%	(133)	(811)
Trade	70%	21%	(60)	(88)
Law	61%	36%	(144)	(158)
Academic	31%	22%	(16)	(77)
State or Military	57%	20%	(54)	(110)

Canadian corporate sectors show little variation compared to the U.S. with a low of 47 per cent in resources and a high of 70 per cent upper class in trade, followed by 65 per cent in finance. In the U.S., the variations are from a low of 16 per cent upper class origin in transportation/utilities to a high of 46 per cent in finance. Class origins in all career avenues in Canada are consistently higher than in the U.S. In fact, only the very few people who have come through the academic world to the Canadian elite are lower in upper class origin than the most upper class sector in the U.S., finance. The greatest difference between Canada and the U.S. is in trade (with a 49 percentage point difference) followed by transportation/utilities (with a 42 percentage point difference). Next to these two sectors is the non-corporate career avenue of law, with a 25 percentage point difference between Canada and the U.S. From this, it can be concluded that there are no avenues particularly open to those from outside the upper class in Canada, except for the few whose main career is in the academic world and, to some extent, the resource sector. Reasons for the relative openness in Canada's resource sector will be analysed in the next chapter in terms of the high degree of foreign ownership in this sector. Compared to Canada, all U.S. avenues are more open to those from outside the upper class while the finance and manufacturing sectors, the two key centres for interlocks in the U.S., are the highest in terms of upper class recruitment.

The differences between law as a career avenue in Canada and the U.S. were examined in the last chapter. This difference again comes to light in the difference between career avenues and main current affiliation by sector. In the U.S., only 36 per cent of those with careers in

law still have law as their main current affiliation while this is 90 per cent in Canada. A similar, but less marked, pattern is also evident in academia, where 55 per cent of those with career avenues in this area in the U.S. are still in the academic world (primarily university presidents and heads of commerce schools), while in Canada, this is 75 per cent. Unlike these two areas, only 5 per cent in the U.S. and 17 per cent in Canada of those with career avenues in the state or military continue to have these as their main current affiliations. In the U.S., those from the state or military tend to move to finance (23 per cent), manufacturing (21 per cent), law (13 per cent), academia (12 per cent) and transportation/utilities (10 per cent). In Canada, they tend more towards law (30 per cent) and finance (19 per cent) with much lower in manufacturing (9 per cent) or transportation/utilities and resources (6 per cent each).

Unlike the non-corporate careers, those with career avenues in economic sectors tend to remain in these same sectors for their main current affiliation. The retention rate varies in the U.S. from a low of 88 per cent in trade and finance to a high of 94 per cent in manufacturing and in Canada, from 92 per cent in manufacturing to 98 per cent in transportation/utilities.

Some slight difference exists in Canada and the U.S. whether members of their elites have had their career in dominant or smaller corporations. Of the entire U.S. elite, half have had their main career in their current dominant corporations and an additional 7 per cent have had a career in a dominant corporation although not the same one they are currently affiliated with. In Canada, somewhat less have had their main career in their current dominant corporation (43 per cent) while an additional 8 per cent have had their career in another dominant corporation. Therefore, in Canada, 49 per cent have had their careers in other than dominant corporations while in the U.S., 43 per cent have not come through dominant corporations.

In Canada, there is a considerable difference between Canadian and foreign born in this respect. While only 48 per cent of the Canadian born have been through dominant corporations during their corporate career, 67 per cent of the foreign born living in Canada have had this experience. This reflects the difference between Canadian and foreign born in terms of having long crawls of 20 years or more through the same corporation.

While only 17 per cent of the Canadian born have experienced the long crawl to the top, among the foreign born, 30 per cent are long crawlers. The foreign born also tend to continue their affiliation with dominant corporations since 62 per cent are currently affiliated with dominant corporations compared to 46 per cent of the Canadian born. While only 10 per cent of the foreign born now have non-corporate affiliations, this accounts for 26 per cent of the Canadian born. This difference can be attributed mainly to the fact that law firms are their main non-corporate current affiliation and very few foreign born are lawyers.

While 17 per cent of the Canadian born have had careers in law, this accounts for only one per cent of the foreign born. Those with career avenues in the state or military are similar with only four per cent of the foreign born but eight per cent of the Canadian born. This pattern is reversed in the sectors of resources and manufacturing, where so much of the Canadian economy is foreign controlled. For the foreign born, 30 per cent have their main careers in manufacturing and 23 per cent in resources while for the Canadian born, the respective percentages are only 19 and 7.

Reflecting the patterns outlined in Chapter Six, 92 per cent of the Canadian born with careers in finance are in Canadian controlled companies, 89 per cent in trade and 84 per cent in transportation/utilities. Manufacturing and resource sectors, however, reflect foreign control. Of the Canadian born with careers in manufacturing, 58 per cent have been in Canadian controlled companies while 30 per cent have been in U.S. branches. In resources, only 31 per cent have been in Canadian controlled resource companies while 62 per cent have been in U.S. branches. Differences in control by corporate sector will be returned to in the following chapter but it is interesting to see differences in career patterns by control. Of those coming through Canadian controlled corporations, 41 per cent have had careers in family firms and another 23 per cent as financiers or financial executives, together accounting for almost two thirds of all career patterns in Canadian controlled companies. On the other hand, for those coming through U.S. controlled branches in Canada, 34 per cent have career patterns in engineering or science and 16 per cent through the corporate finance department, together accounting for half of those with careers in U.S. branches in Canada. Again, this reflects patterns stressed throughout the preceeding chapters.

Positions Within the Economic Elite

Members of the economic elite hold a variety of positions within dominant (and smaller) companies which are reflective of differing degrees of involvement with the company. Executives are those who hold a corporate post as either chairman, vice-chairman, president or chief executive officer, with some often holding more than one of these posts simultaneously. Insiders are usually vice-presidents or sometimes treasurers, 'house' lawyers or comptrollers who are not designated as vice-presidents but who also sit on the company's board. Outsiders sit on the board of directors but are not simultaneously officers of that company (although they are often executives of other companies). This latter practice is reflected in the fact that while the 194 dominant corporations analysed here for the U.S. account for somewhat under half the top 400 U.S. corporations (250 industrial and 150 non-industrial), the economic elite encompasses 61 per cent of all the presidents and 69 per cent of the chairmen of these 400 corporations, between them having at least the chairman or president from 71 per cent of these companies. This phenomenon is also characteristic of the Canadian economic elite (see Clément, 1975:208ff). Thus, it is apparent that someone who is an outsider of a particular corporation may be, and likely is, an executive of another company, thus interlocking the two companies. This allows two dimensions of corporate positions to be analysed; the narrower perspective involves only their main position within a dominant corporation while the broader one involves their main position in any corporation.

Comparing these two perspectives, the insiders of dominant U.S. corporations (mainly vice-presidents) also have the greatest likelihood of being insiders of any corporation (82 per cent) with almost all the rest executives (17 per cent). In Canada, the results are almost identical (80 and 18 per cent, respectively). On the other hand, outsiders of dominant corporations tend mainly to be executives of other companies in the U.S. (68 per cent) with some as partners (13 per cent) and only 16 per cent as only outsiders in any company (mainly attached to non-economic institutions such as universities). The pattern with respect to outsiders is quite different in Canada. Only 51 per cent of the outsiders of dominant companies are executives of other companies while 33 per cent are part-

4

OF/DE

5

ners (mainly in law firms) and 11 per cent are only outsiders. Once again, the different role of law firms in the two elites affects the pattern.

The difference between the two perspectives is evident in comparisons of positions by whether or not members of the elite have had their main careers in dominant corporations. From the perspective of outsiders in dominant corporations, 90 per cent in both elites have not had their main careers in dominant corporations while over 90 per cent of the insiders and executives in both elites have had careers in dominant corporations. In terms of the top posts they hold in any corporation, about half the executives and outsiders in both elites have had careers in dominant corporations but only about 10 per cent of the insiders have had main careers in other than dominant corporations. Virtually all of the partners in both elites have not had careers in dominant corporations.

The difference between the two perspectives on corporate positions and differences between the positions themselves is evident in the following table on class origins.

TABLE THIRTY-TWO

Upper Class Origins of the Elite by Corporate Position

	Per Cent Upper Class in Origin			
	DOMINANT CORPORATION		ANY CORPORATIONS	
	Canada	U.S.	Canada	U.S.
Insider	49%	21%	49%	19%
Executive	57%	31%	69%	40%
Outsider	67%	46%	39%	35%
Partner	—	—	62%	44%

Within dominant corporations, outsiders are the most upper class in origin in either Canada or the U.S. while executives are next and insiders the least upper class. In any corporation, the pattern shifts where it is the executive that is the most upper class. This reflects the pattern discussed earlier, where the executive of companies from outside dominant companies sit on the boards of dominant companies as outsiders. In both countries it reflects a pattern where careers in family firms which themselves are not dominant provide a 'stepping stone' to the boards of dominant corporations. It also suggests that many outsiders on dominant corporations hold controlling blocs of shares thus allowing the intergenerational transfer of outsider positions (a phenomenon illustrated in the

previous chapter) even though their main base of operation is a smaller company. The practice of outsiders holding controlling blocs of shares but hiring executives to manage dominant companies is also common (as illustrated in Appendix XII, The 'Ownership-Control' Debate in the U.S.: The Power of Property). The fact that the proportion of upper class who are only outsiders drops significantly between dominant corporations and any corporation suggests that those who are exclusively outsiders with no corporate executive or insiders' post or partnership tend to be the least likely to be upper class. It is in this realm where most 'token' outside directors are located.

Looking at this table in another way, insider positions within dominant corporations (which also tend to be insiders in any corporation) are the most likely channel for those outside the upper class to 'make it' into the elite. The most probable offices used by the upper class for their control are as chairman of the executive committees or as outsiders in dominant corporations, while simultaneously being a chairman of some other corporation. The same patterns are also evident in terms of inheritance with outsiders of dominant corporations highest in both Canada (37 per cent) and the U.S. (28 per cent). In Canada, both executives and insiders of dominant corporations have 20 per cent inheritance while in the U.S., executives (with 16 per cent) are higher than insiders (11 per cent). It is clear that outsider positions are a greater avenue to the elite for those from outside the upper class in the U.S. than in Canada. In Canada, many more of the insiders are children of the upper class 'learning the ropes' before entering into executive positions and moving into the charmed circle of outside directors.

In contrast to the inheritors are the 'long crawlers' who remain within one company for 20 or more years before becoming corporate officials. In terms of career types, those in engineering and science tend to be long crawlers (a third in both elites) while in Canada the finance department is also an avenue for long crawlers (46 per cent compared to 17 per cent in the U.S.). Career patterns in other elites, other sectors, family firms and law, virtually guarantee there will not be a long crawl. Only 7 per cent of the long crawlers in the U.S. are from upper class backgrounds compared to 42 per cent of the others. In Canada, 34 per cent of the long crawlers have upper class backgrounds while 66 per cent of the others have this privilege.

The difference between Canadian and foreign born in Canada is important in terms of positions held within dominant corporations. Canadian born tend to be outsiders in dominant corporations (53 per cent compared to 33 per cent foreign born) while foreign born are more prone to hold insider positions (26 per cent compared to 21 per cent of the Canadian born) and especially executive positions (47 per cent compared to 27 per cent of Canadian born). As with many features of the Canadian elite, this reflects foreign dominance in manufacturing and resources.

Some of the differences in class origins by position help account for some of the overall differences in class origins of the Canadian and U.S. elites. The branch plant structure of most of the resource industry and much of manufacturing in Canada means that fewer 'insider' positions, particularly those associated with engineering and science, are available in Canada. Since this is the main area of mobility for those outside the upper class, particularly through the long crawl, the effect of the branch plant structure means lower general patterns of mobility within Canada than within the parent organization. A fuller analysis of this phenomenon will be developed in the next chapter.

Multiple Directorship Holders

It was demonstrated earlier that 29 per cent of the economic elite in Canada are multiple directorship holders, between them holding 54 per cent of all dominant positions, while in the U.S., 22 per cent are multiple directorship holders, between them holding 41 per cent of all dominant positions. Thus, the pattern of interlocking is not as 'dense' in the U.S. as in Canada. There is a great difference in the class of origin for single, as opposed to multiple, directorship holders in Canada, with 55 per cent of the single dominant directorship holders from the upper class but 73 per cent of the multiples. While multiple directorship holders tend to be slightly more upper class in the U.S., there is not nearly the great gap there is in Canada. In the U.S., 35 per cent of the singles and 37 per cent of the multiples are of upper class origin. It is clear that the realm of multiple directorship holders is not so greatly the preserve of the upper class in the U.S. as in Canada.

Upper class origins in the U.S. do have a greater impact among those with dominant bank directorships, where 41 per cent are of upper class origin compared to 34 per cent of those without. But in Canada, the gap is even wider with 74 per cent of bank directors drawn from the upper class compared to 56 per cent of the others. In the realm of dominant life insurance directorships, there is no difference in the U.S. or Canada. Those in the U.S. holding a dominant bank directorship are more likely to be inheritors (24 to 19 per cent) but not as likely as in Canada (41 to 25 per cent).

Reflecting the same pattern found earlier for interlocks between sectors in the U.S., multiple directorship holders are most likely to have a directorship in manufacturing (79 per cent), closely followed by finance (66 per cent), with the other sectors much lower and led by transportation/utilities (33 per cent), resources (16 per cent) and lowest in trade (11 per cent). The pattern is similar in Canada except that finance (with 91 per cent multiple directorship holders) is well ahead of manufacturing (54 per cent) followed by transportation/utilities (30 per cent), resources (24 per cent) and again trade is lowest (20 per cent). This is additional confirmation of the more central place of finance in the Canadian economic elite. When 91 per cent of all multiple directorship holders have at least one of their dominant directorships in finance, there can be little doubt about its centrality.

Banks are the most active interlockers of all, whether in Canada or the U.S. While only 16 per cent of those in the U.S. not holding a dominant bank directorship are multiple directors, 61 per cent of those who do hold a dominant bank directorship also have one or more other dominant directorships. In Canada, only 21 per cent without dominant bank directorships are also holders of two or more other dominant directorships, while 71 per cent of the bank directors are multiple directorship holders. A similar pattern prevails in dominant life insurance companies. In the U.S., 47 per cent of those with a dominant insurance directorship is a multiple director compared to 24 per cent of those without. In Canada, 62 per cent of insurance directors are multiple directors compared to 27 per cent without.

The major difference between single and multiple dominant directorship

holders is their position within a corporation, as the following table illustrates.

TABLE THIRTY-THREE
Multiple Directorships of the Elite by Position

	Per Cent Multiple Directorship Holders			
	Dominant Corporation		Any Corporation	
	Canada	U.S.	Canada	U.S.
Insider	15%	8%	15%	6%
Executive	53%	42%	43%	32%
Outsider	31%	23%	31%	25%
Partner	--	--	34%	25%

From either the perspective of dominant corporations or all corporations, executives in both Canada and the U.S. are the most likely to hold more than one dominant directorship. Insiders in both are least likely. In all cases (with the exception of outsider directors in any corporation) Canadian elites are more likely to be multiple directorship holders even in the same position. This pattern in the U.S. is the result of a few Blacks and women in the U.S. elite who are often used as 'token' directors on several dominant companies, a practice to be explored shortly. The second greatest multiple directorship holding position in Canada is a partnership, again reflecting the active role of law firms in binding dominant Canadian corporations together. Moreover, this further reinforces the argument made earlier that the outsiders of one dominant corporation tend to be the executives from other corporations.

II. Ascriptive Characteristics of the Elite

Ascriptive characteristics are those features an individual has that are endowed upon them at birth, over which they have no control. By examining ascriptive characteristics of members of the economic elite, it is possible to determine whether they are used by those in control of dominant corporations, consciously or not, as attributes selected from among the population or whether they act as barriers to people entering top decision making positions. Three ascriptive characteristics to be examined (leaving aside class of origin and inheritance analysed in the previous

chapter) are: region of birth, race and ethnicity and sex. It will be shown that each of these characteristics has an important effect on the nature of the economic elites in both Canada and the U.S.

Region of Birth and Residence

Are there, within the U.S. as in Canada, differences in chances for becoming a member of the economic elite depending upon place of birth? The answer is that there are substantial differences but these differences within the U.S. are not as great as those differences by current residence. The following table provides a breakdown of elite birthplace and elite residence in the U.S. and compares it to the population distributions of 1920 (the mean year of birth for the current elite) and 1973 (the most recent census data).

TABLE THIRTY-FOUR

Birthplace and Residence of the U.S. Economic Elite

REGION	BIRTH		Percentage Points Difference	RESIDENCE		Percentage Points Difference
	Elite	Pop. (1920)		Elite	Pop. (1973)	
Northeast	35.7%	30.0%	5.7%	45.2%	26.3%	18.9%
North Central	35.9%	32.0%	3.9%	28.3%	27.3%	1.0%
South	17.5%	29.3%	(11.8%)	12.4%	28.9%	(16.5%)
Mountain	3.2%	3.2%	0.0	1.3%	4.4%	(3.1%)
Pacific	7.7%	5.4%	2.3%	12.6%	13.1%	(0.5%)
Total	100%	100%	---	100%	100%	---

NOTE: The regional divisions are based on census divisions, except two sub-regions within the West--Mountain and Pacific--have been kept separate because of their different patterns.

By birthplace, the Pacific, Northeastern and North Central regions are most over represented with the Mountain equal and the South the most under represented. When viewed by residence, the South continues to be the most under represented, even more so than by birth, while the Mountain region is the next most under represented, followed by a slight under representation in the Pacific region. The most over represented, even more so than by birth, is the Northeast, while the North Central region is only slightly over represented. To understand some of the reasons why region of birth and region of residence affect access to the U.S. economic elite, it is

necessary to analyse, in more detail, some of the characteristics of elite members from those regions.

One of the key differences explaining the representation by region is the class profile of each region and the difference between the profiles for birth and by residence. The following table gives the proportion of those born and resident in each region by upper class origin.

TABLE THIRTY-FIVE

Upper Class Origins in the U.S. Economic Elite by Region

REGION	BIRTH		RESIDENCE	
	Upper Class	Total	Upper Class	Total
Northeast	42%	672	37%	856
North Central	30%	676	33%	540
South	33%	329	37%	235
Mountain	18%	61	40%	25
Pacific	43%	144	35%	238
Total	(36%)	1,882	(36%)	1,894

The upper class profiles of each region by residence are quite even, with a range of between 33 and 40 per cent, but by birth the range is much broader, from 18 per cent to 43 per cent. What is most interesting is that the region which is the least upper class by birth is the most upper class by residence. This is not because upper class members have migrated to the Mountain region, but because so many from working and middle class origins migrated out of this region. The high exits from the Mountain region can be illustrated by examining career patterns. Of those born there, only 5 per cent have careers in family firms but 8 per cent are 'on their own account.' However, of those now resident there, 24 per cent have a career in a family firm and there are no 'own accounts.' The major influx from outside the upper class is to New England. The most upper class region is the Northeast, with 42 per cent by birth and, within this New England, which is 48 per cent upper class by birth while the Middle Atlantic sub-region has 41 per cent.

Generally then, region of birth is an ascriptive characteristic which affects a person's chances for access to the U.S. elite but part of the difference is reflecting class advantages. There is a clear pattern in the relative movement of persons toward certain regions. The strongest flow is into the Northeastern region, with only 16 per cent of the migrants to

the Northeast of upper class origin. The Pacific region has also gained but again, they are less likely than the 'native' population to be upper class. The two major regions losing members of the elite through migration are the North Central region and the South. In both cases, they tend to lose their upper class members less than those from outside this class. Only 23 per cent of the movers from the South had upper class. In the North Central region again upper class leavers are low, with 17 per cent.

This suggests that those with upper class origins are more likely to remain in their region of birth, with many of those from outside that class having to move elsewhere for corporate careers to the elite. This is reflected in the general distribution of inheritance by region of birth, with the exception of the Mountain region. Of those born in the Pacific region, 33 per cent inherited some position compared to only 5 per cent in the Mountain region, but as was shown, the Mountain inheritors tend to stay while the others move elsewhere. All other areas are around 20 per cent inheritance except the West North Central sub-region, where 13 per cent inherited. The patterns by current residence are very similar with the single exception of the East South Central sub-region, where 31 per cent inherited.

Aside from the different upper class recruitment to the elite of these regions, another factor affecting chances for entrance into the elite by birthplace is the distribution of various economic activities. Of those with careers in finance, those born in New England, Middle Atlantic and the Pacific regions are most over represented and those from East South Central the least. For resources, the West South Central region is most over represented by birth, with the East North Central and South Atlantic least. For manufacturing, East North Central and South Atlantic are most over represented by birth, with New England and Pacific least. In trade, the Mountain region is over represented by birth.

Regional differences are also evident in the degree they interconnect with other regions through interlocking directorships. Those resident in the East South Central, West South Central and Mountain regions are 'isolates' with only between 5 and 8 per cent of the elite members resident there having multiple directorships, while all the other regions range between 20 and 30 per cent having multiple directorships.

The reason the South stands out as so under represented in the elite, both by birth and residence, was explained historically in terms of their reliance on a plantation economy and late industrialization. On the other hand, the Northeast is the historical centre of industrial and financial activity, also housing many of the upper class institutions such as private schools and private men's clubs to be analysed shortly.

Regional differences have also had an important effect on the character of the Canadian economic elite. In the Canadian case, comparisons are made with 1921 (the mean year of birth for the current elite) and 1971 (the most recent census year).

TABLE THIRTY-SIX

Birthplace and Residence of the Canadian Economic Elite

REGION	BIRTH		Percentage Points Difference	RESIDENCE		Percentage Points Difference
	Elite	Pop. (1921)		Elite	Pop. (1971)	
Maritimes	8.5%	11.4%	(2.8%)	4.0%	9.4%	(5.5%)
Quebec	20.2%	26.9%	(6.7%)	25.2%	27.9%	(2.7%)
Ontario	47.6%	33.4%	14.2%	52.4%	35.7%	16.7%
Manitoba	7.9%	6.9%	1.0%	3.5%	4.6%	(1.1%)
Saskatchewan	4.0%	8.6%	(4.6%)	1.0%	4.3%	(3.3%)
Alberta	5.7%	6.7%	(1.0%)	6.3%	7.5%	(1.2%)
British Columbia	5.9%	6.0%	(0.1%)	7.5%	10.1%	(2.6%)
Total	100%	100%	---	100%	100%	---

The most striking feature of this table is that every region in Canada, with the exception of Ontario, is under represented in the economic elite by residence. By birth, only Manitoba is also over represented and British Columbia about equal. The most under represented region by birth is Quebec, followed by Saskatchewan. By residence, the Maritimes are most under represented.

The best way to evaluate regional opportunities for entrance into elite positions is to compare how many make it into the elite by staying in the same province that they were born in. As would be expected, Ontario has the highest retention rate, keeping 85 per cent of the elite born there; it is followed by Quebec, which keeps 80 per cent and then British Columbia, which keeps 78 per cent. There is then a large drop to Alberta, which keeps 54 per cent while all others lose over half of those born there to other provinces. The greatest proportion of exits are from Saskatchewan

(only 22 per cent stay), Manitoba (35 per cent stay) and the Maritimes (49 per cent stay). For each of the regions, Ontario is by far the greatest receiver of those exiting, particularly from Manitoba where 43 per cent of those born now reside and Saskatchewan, where 37 per cent have migrated to Ontario, but also the Maritimes, where 31 per cent of those born there now live in Ontario. Ironically, more elites born in Manitoba and Saskatchewan now live in Ontario than remain in these provinces. Ontario also receives the lion's share of those born outside Canada. It has received 50 per cent of the elites born in the U.S. and 58 per cent of those born in the U.K. It is clear that Ontario is the centre of the Canadian economic elite. Those born there are over represented in the elite and many of those entering the elite from other regions move there to take up their elite positions.

The fact that Ontario has such high over representation by birth and current residence among the economic elite is related to the fact that so much of Canada's production is located in Ontario. This, in turn, is related to the fact of foreign dominance in the sphere of production. While this problem will be returned to in the final chapter; it is important to see why so much of Canada's manufacturing capacity is Ontario-centred. While Ontario has 35.7 per cent of Canada's population, it receives 43.2 per cent of all taxable income from Canadian controlled manufacturing. This may not seem to be a significant difference and, indeed, it is not as significant as the fact of U.S. owned manufacturers in Ontario. In 1972, Ontario received 72 per cent of its taxes in the manufacturing sector from foreign controlled companies. Of all taxable income paid by U.S. owned manufacturing in Canada, Ontario received 62.2 per cent in 1972. Therefore, the fact that Canadian owned manufacturing is centred in Ontario does not have nearly the effect that U.S. controlled manufacturing in Ontario has.¹

Besides being the centre of manufacturing, both foreign and Canadian owned, Ontario is also the centre of finance and the upper class institutions of Canada. It combines the paradox of containing over half of the

¹ For a more detailed analysis of this data, see my "A Political Economy of Regionalism" in D. Glenday, A. Turowetz and H. Guindon (eds.), Conflict and Consensus: Multiple Loyalties in the Canadian State, Macmillan of Canada, Toronto.

U.S. comprador elites resident in Canada as well as having very high proportions of the indigenously Canadian elite. In other words, 53 per cent of all the U.S. comprador elites are resident in Ontario but so are 55 per cent of the indigenous elite. This paradoxical position is reflected in the following table on class origins by region.

TABLE THIRTY-SEVEN
Upper Class Origins in the Canadian Economic Elite
by Region

REGION	BIRTH		RESIDENCE	
	Upper Class	Total	Upper Class	Total
Maritimes	61%	59	75%	32
Quebec	78%	138	73%	201
Ontario	58%	326	57%	419
Manitoba	70%	54	67%	28
Saskatchewan	19%	27	38%	8
Alberta	49%	39	41%	50
British Columbia	53%	40	51%	60
Total	(61%)	683	(61%)	798

The reason Ontario is lower in upper class recruitment than the Canadian total can be attributed to the fact that it is the location of such a large share of U.S. comprador elites, a phenomenon to be analysed in the next chapter. Even taking this into account, west of Manitoba is clearly less upper class in origin both by birth and residence. In part, this reflects the fact that proportionately Alberta and British Columbia have the greatest amount of compradorization but this does not account for Saskatchewan's lower percentage from the upper class. At least part of the West's lower level of upper class recruitment must be attributed to the fact of its late start as an immigrant society and as such has not solidified its upper class institutions.

Changes in the proportion of upper class born and resident in each area can be attributed to different factors. In the Maritimes, the increase is due to a greater proportion of those from outside the upper class leaving the region, since in actual numbers, elites of upper class origin living in the Maritimes have declined between birth and residence. In Quebec and Ontario, on the other hand, the proportion upper class has fallen between birth and residence but the actual numbers of upper class

origin elites has risen, suggesting an in-migration of people born in the upper class but a greater in-migration from outside that class. Manitoba has lost upper class origin elites numerically, as have Saskatchewan and Alberta, but Saskatchewan lost a greater proportion from outside the upper class. British Columbia has gained slightly numerically but dropped slightly in proportion of upper class, suggesting that a slightly greater proportion of the in-migrants have been from outside the upper class.

Generally, it may be concluded that region of birth has had an effect on the life chances of members of both the U.S. and Canadian elites in terms of entering into elite positions. In the U.S., the South is clearly under represented in both birth and residence while those born and resident in the Northeast have a much stronger chance of entering the U.S. elite. In both Canada and the U.S., those from outside the upper class are forced more often to emigrate from their place of birth if they are going to enter into the elite while those from upper class origins are able to stay in their place of birth. To fully understand regional differences in Canada requires taking the role of U.S. foreign investment into account. Since this will be the subject of much of Chapter Ten, it will not be gone into in detail here except to point out that U.S. investment in Canada has exaggerated the problem of regionalism in this country and added to its pattern of uneven development.

Race and Ethnicity

Of all the ascriptive characteristics to have in the U.S., being Black is the one least likely to allow admission into the U.S. economic elite. While about a fifth of the U.S. population is Black, only ten members of the economic elite are Black, representing only 0.5 per cent of the entire elite.² Ironically, these few Blacks appear to have been selected for the elite because they are Black, since all are outside directors in dominant corporations and appear to be 'token' representatives. It is difficult to do any meaningful analysis of Blacks in the elite because their numbers are so small but of the ten, five have had their main careers in another

² Race was determined through biographical sources and the checking of annual reports.

elite or another sector and three are involved as lawyers. None belongs to any of the top 45 exclusive clubs to be discussed later.

Two cases are worth exploring, while a third will be examined shortly. One is summarized in a recent Fortune article which says,

The election of Leon H. Sullivan, 48, a black Philadelphia minister to General Motors Corp.'s board of directors is a landmark event in American business. Pastor of the Zion Baptist Church, Sullivan has been involved in small but socially significant financial ventures since the early Sixties...High on his priority roster is a plan to increase the number of black G.M. automobile dealers (12 out of 13,600) and black workers...about 15 per cent of 800,000 (February 1971:37)..

It is ironical that there is actually a greater proportion of Blacks in the economic elite (0.5 per cent) than among G.M. auto dealers (.08 per cent). Thus, it is not simply at the level of the elite that Blacks are excluded from important positions, but throughout the U.S. class structure.

The second case that is important is that of Jerome Heartwell Holland. He is important for two reasons: first, he is Black, thus making him rare among the elite and second, he holds the most number of dominant directorships of any member of the U.S. economic elite. He sits on the boards of Manufacturers Hanover, Chrysler, Continental Corporation, Federated Department Stores, AT&T, General Foods and Union Carbide. Thus, Holland appears in the annual reports and at the annual meeting of seven of the dominant U.S. corporations. Holland has never had a corporate career in a dominant corporation; rather, he has been a college president and is the former U.S. ambassador to Sweden.

Aside from the few Blacks, it is difficult to identify members of other ethnic groups in the U.S. Of those born and resident in the U.S., 40 report their affiliation as Jewish (2.1 per cent). Of these, 12 (30 per cent) have had some association with the state and 10 (25 per cent) belong to one of the top 45 exclusive clubs. Only 29 per cent of all the Jews in the U.S. economic elite have had their main careers in dominant corporations, the lowest of any ethnic or religious group, aside from Blacks, and 36 per cent have had their main career in family firms, the highest of any group. The Jews are also highest in having made it 'on their own account,' with nine per cent compared to one per cent of the

others. These same patterns are replicated for Jews in Canada (see Clement, 1975:237-239).

The difficulty with analysing the Jewish members of the elite, as with the other religious affiliations, is that only 40 per cent of the elite report any religious affiliation. Depending on how the data is interpreted, Jews represent 2.1 per cent of the entire elite or 5.2 per cent of those reporting. Since they tend to be fairly visible, at least more visible than other religious groups, the actual figure is likely closer to the lower figure than the higher one but the quality of the data on this point does not allow solid comparisons of representation. It does, however, allow for some comparisons of types within each religious affiliation.

Of those reporting a religious affiliation, the most common is Episcopalian (the equivalent of Anglican in Canada) with 32 per cent, followed by Presbyterian (29 per cent), Methodist (9 per cent), Catholic (8 per cent), Congregationalist (7 per cent), and other affiliations (11 per cent). For the entire U.S. economic elite, only 18 per cent of the Jews (8) have a dominant bank directorship, lower than Catholics (30 per cent), Episcopalian (25 per cent), Congregationalist (28 per cent) and the same as Presbyterian and Methodists. Only seven per cent of the Jews (3) have a dominant insurance directorship, lower than all other religious affiliations. Thus, the evidence indicates that Jews are clearly not in a dominant position within U.S. financial corporations, again reflecting the same pattern as within Canada. Again, like Canada, one quarter of the Jews in the U.S. elite have current kin in the elite (compared to seven per cent of all), suggesting that family firms are a major means of their access into the elite.

Jews are high on inheritance (31 per cent) compared to the total elite, but so are Catholics (28 per cent), Episcopalian (28 per cent), Presbyterian (27 per cent) and Congregationalists (26 per cent). The lowest, as with all class indicators, are the Methodists. There is a clear difference in terms of memberships in the top 10 clubs (to be discussed shortly). Between 31 and 35 per cent of the Catholics, Episcopalians and Presbyterians belong, but only seven per cent of the Jews, who are also lowest in terms of the top 45 clubs. Specifically, in terms of social class, those who report a

religious affiliation tend to be of higher class origin than those who do not. While only 30 per cent of those not reporting a religious affiliation are upper class, between 42 and 54 per cent of Catholics (45 per cent), Episcopalian (51 per cent), Presbyterian (42 per cent), Jewish (54 per cent) and Congregationalist (45 per cent) are upper class in origin. Methodists are only 23 per cent upper class in origin.

Finally, it was possible to identify 88 additional members of the U.S. economic elite (4.6 per cent) born and resident in the U.S. who came from ethnic groups other than Jewish, Blacks or of British Isles' origin. Because there is a down-playing of ethnic origin in the U.S., there are likely many more members of the current U.S. elite with other ethnicities but it was not possible to detect them. Regardless, even the five per cent of the U.S. elite clearly identifiable as from one of these ethnic groups is higher than the one per cent in Canada, although a greater proportion of the elite in Canada reported Jewish affiliation (4.3 per cent to 2.1 per cent in the U.S.).

In Canada, those who trace their ethnic origins back to the British Isles are clearly the dominant ethnic group in the economic elite. While those of Anglo origin account for only 44.7 per cent of Canada's population, they are 86.6 per cent of the economic elite. French Canadians, on the other hand, are 28.6 per cent of the population but only 7.9 per cent of the elite. This finding concerning French Canadians is supported by additional studies:

Despite at least five years of serious social pressure, Quebec's growing economic nationalism has not yet had much impact on the boardrooms of the large companies that do a substantial amount of business in the province.

According to various Quebec Government-sponsored studies, there are very few Quebec enterprises in any sector, except the pulp and paper industry and the banks, that have more than one French-Canadian director.

Of the 93 corporations that employ more than 800 people in Quebec--not including obviously francophone companies such as Caisse Populaire, Desjardins and Sidbec--Dosco Ltd.--16 had no Francophones on the board and 25 had only one (Globe and Mail, April 6, 1976:B4).

Among 'third' ethnic groups, only Jewish Canadians have significant repre-

sentation among the elite. While 1.4 per cent of Canada's population is Jewish, 4.3 per cent of the elite have these origins. Of the remaining 25.3 per cent 'other' ethnics, only 1.3 per cent of the elite have these origins. Jewish Canadians in the elite tend to be from a very few prominent families (25 of 34 come from six families) who have established corporations which have become dominant in the last few generations. Outside their own firms, they have very little access to the elite.³

While it is clear that Blacks are systematically excluded from the U.S. economic elite and that Jews do not in any way dominate the elite, it is not possible to systematically analyse the effect of ethnicity in the same way as in Canada. First, census data is not gathered in the U.S. to facilitate aggregate comparisons and second, the elite themselves tend not to belong to distinctively ethnic associations or report their parentage the way they do in Canada. Baltzell's observation that, "At the lowest levels of American society, a person is a member of an ethnic group; at the middle levels he is a member of a religious group and at the highest level, he is first a member of his social class" (1964:52-53) may well serve to reflect the effect of religion, ethnicity and class in the U.S. Comparisons with Canada on this count are difficult, to say the least. Blacks do not make up a large part of the Canadian population and do not have the same type of social and political organizations as Canada's major minority, the French Canadians. Ethnic identification is not promoted by the U.S. state the way biculturalism and multiculturalism are projected as ideologies by the Canadian state. Thus, to attempt a systematic comparison is virtually impossible. It is possible, however, to analyse the second least advantageous attribute for admittance into the U.S. economic elite (next to being Black)--being born a woman. The only difference with Canada is that being a woman is the most disadvantaged attribute here.⁴

³Based on the increased coverage of the Canadian elite discussed earlier, some slight changes have occurred in the ethnic composition of the elite. Anglo rises from 86.2 to 86.6 per cent, French falls from 8.4 to 7.9 per cent and Jews rise from 4.1 to 4.3 per cent while 'other' ethnics remain the same.

⁴It is interesting that both the Canadian born U.S. resident members of the U.S. economic elite and the Canadian resident members of this elite each have a greater number of members than either women or Blacks. In the total U.S. economic elite, there are only 20 women (1.0 per cent) and 10 Blacks (0.5 per cent), both with lower representation than either the 38 Canadian born (1.9 per cent) or the 25 Canadian resident (1.2 per cent).

Women in the Economic Elite

The best summary of the place of women in the U.S. economic elite is by the only person in it that has three of the most restrictive attributes for admission into the elite, Patricia R. Harris--both a woman and Black--who is a partner in a Washington law firm and a director of Chase Manhattan and IBM. She says, "I was probably asked because I am a black and a woman. I come from two groups that have been excluded from all aspects of American life" (Fortune, May 1972:159). It is interesting that, like Jerome Holland discussed earlier, Patricia Harris was also a U.S. ambassador, this time to Luxembourg. To round out her disadvantages, her third is that her father was a railroad waiter and "among her ancestors were Negro slaves, Delaware and Cherokee Indians" (Current Biography, 1965:189). But to generalize from her case would be foolish, since she represents one of the ten Blacks and one of the twenty women in the U.S. economic elite. Proportionately, women have about the same place in the U.S. elite (20 of 2,007 or 1 per cent) as in Canada (8 of 798 or 1 per cent).

As with all types with a low number of members in the elite, it is difficult to generalize from twenty cases. Recognizing these limitations, some patterns and examples will be discussed. Of the women in the elite, 40 per cent have their main careers in other sectors (three in the state elite), 25 per cent in family firms, 10 per cent in law (two women) and one is a financial executive while four could not be classified. Between them, they hold four bank directorships, five insurance directorships and seven have more than one dominant directorship. Only one has had a career in a dominant corporation. The most common career avenue is that seven have had their main career in the academic world and five in publishing. Currently, six are affiliated with publishing, three with academia, three with finance and two the state. They tend to be similar to the men in terms of class of origin, although 25 per cent have inherited positions compared to 20 per cent of the men. They tend to be either very high or very low in education, with 55 per cent having post graduate training, 15 per cent university graduates and 30 per cent less than university graduation.

The woman with the most dominant directorships is Catherine Blanchard Cleary, clearly one of the few who have actually had a corporate career. She is president of First Wisconsin Trust, after being trained in law and

working her way through the corporation, now holding directorships on AT&T, General Motors, Kraftco and Northwestern Mutual Life, a company that her father had been president of from 1932 on.

Another career woman is Helen K. Copley, whose husband, James S. Copley, died in 1973. She had been his secretary for 13 years and they were married in 1965. She is now head of Copley Press, one of the largest privately owned newspaper chains in the United States, and a director of Wells Fargo & Co.

Another career woman, this time in a family firm, is Katharine Graham, who heads the Washington Post, a company her father was once chairman of, as well as a director of Allied Chemical. She is also a director of Allied Chemical, a dominant company her family owns large amounts of stock in, and she is also a director of Bowaters Mercy Paper, a Canadian company in which the Washington Post holds a 49 per cent interest.

Another woman associated with newspapers is Marian Heiskell, a director of Consolidated Edison, who has been with the New York Times for some time, as was her father, its former publisher and president. Her first husband was also a publisher of the New York Times but her current husband is the chairman of Time Inc.

Again in publishing, Oveta Culp Hobby is head of the Houston Post and a director of General Foods. Her father was not in publishing, being a Texas legislator and lawyer, but her husband, who died in 1964, was the president of the Houston Post, also acting at one time as Governor of Texas.

Claire Giannini Hoffman, whose father Amadeo Peter Giannini founded the Bank of Italy in 1904 (now the Bank of America), has been a director of this dominant company since 1949.

Next to Catherine Cleary's four dominant directorships is Mariana Von Neumann Whitman with three: Manufacturers Hanover, Westinghouse Electric and Marcor. Both her father and husband have distinguished academic careers, as does she as an economics professor at the University of Pittsburg, more recently working for the Office of the President of the U.S.

The final U.S. case is that of Kathryn Ann Dineen Wriston, a lawyer and trustee of Fordham University, who became the first woman director of W.R. Grace in 1975. Her husband is Walter Bigelow Wriston, chairman of Citicorp and a director of General Electric and J.C. Penney (also serving

as chairman of the Mercantile Bank of Canada).

The Canadian cases of women in the economic elite (all eight of them) also defy anything other than examination of cases. The most recent entrant and also the one with the most dominant directorships is, however, of some interest. In 1975, Betty Kennedy, public affairs editor of CFRB Limited, was appointed to the board of The Bank of Montreal and Simpsons Limited, the dominant retail company controlled by the Burton family. It was recently announced that she would marry G. Allan Burton, chairman of Simpsons and a director of Bell Canada, Simpsons-Sears, the Royal Bank and CFRB Limited, on October 15, 1976. (Zena Cherry, Globe and Mail, August 12, 1976:F3).

While in the aggregate little can be said about women in the economic elite, there are certainly some important cases of women holding powerful positions. Generally, the role of women within the upper class has been relegated to the tasks of 'reproducing' the upper class through socialization and philanthropic activities, rather than through the holding of power positions. Within an analysis of the upper class per se, rather than the elite, women would certainly require a more detailed analysis (see Domhoff, 1970:33ff).

Based on this examination of various career types, class origins, career types, class origins, career avenues, family connections, inheritance, corporate positions, multiple directorship holders and various ascriptive characteristics such as region of birth, race, ethnicity and sex, it has become apparent that the U.S. economic elite, like this elite in Canada, is not equally accessible to all social types. It was found that the U.S. elite had a substantial proportion of its members with careers in family firms, as in Canada, but was considerably lower than Canada in terms of upper class recruitment. This suggests that there remains a core part of the elite in both countries that is a class of reproduction but it is in the types of attributes selected from the class of nomination that distinguishes them. The findings leave little doubt that on most counts, the Canadian elite is more rigid and the U.S. more open. As was suggested, these are indicators of one elite in 'retreat' and the other more 'aggressive.'

The U.S. tended to be higher on those career types that in both countries have proven to be avenues of access for those outside the upper class,

such as careers in engineering or science and those in the finance departments of corporations. Furthermore, the U.S. tends to have greater access for insiders into the elite than was the case in Canada, even though they typically had to wait over 20 years within the corporation before entering the elite and then not lasting as long as upper class members. Factors such as region, race and ethnicity proved to be barriers in both countries, with the most significant barrier for both countries being sex discrimination in access to positions of economic power. Evidence on multiple directorship holders and the class of origin of these types in each country suggests that the Canadian elite is somewhat 'tighter' in its interconnections than the U.S. elite. Factors relating to social relations within the two elites will now be examined.

III. The Elite as a Social Group

Several factors making the economic elite a socially interacting set of people have been discussed earlier, such as interlocking directorships, careers in family firms, kinship ties and class origins. In the remainder of this chapter, some additional institutions which serve to draw the elite into common social circles, such as top universities, private schools and private clubs will be analysed. This will be followed by a brief analysis of the relationship between the economic elite and other sectors, particularly the state.

University Training

Several studies of the U.S. have suggested that the establishment around the turn of the century of a handful of top universities in the U.S., such as the Ivy League Schools, helped to forge a national upper class rather than several local ones (see Mills, 1956:106ff; Baltzell, 1958:293ff; Domhoff, 1967:17ff). Post secondary education has long been more widespread in the U.S. than in Canada, as the statistics presented earlier on the differences between the two countries in terms of the over 18 population illustrates, with only 9.4 per cent attending university in Canada compared to 19.2 per cent in the U.S.

At the level of the economic elite, these educational differences between Canada and the U.S. are significantly reduced, as the following table illustrates.

TABLE THIRTY-EIGHT
Education and the Economic Elite

Education Level	CANADA			UNITED STATES		
	Canadian Born	Foreign Born	All	U.S. Born	Foreign Born	All
Low*	14%	17%	14%	11%	15%	11%
University graduates	46%	54%	47%	41%	42%	42%
Post graduates**	41%	29%	39%	48%	43%	48%
Total	100%	100%	100%	100%	100%	100%
(N)	(683)	(105)	(798)	(1,888)	(119)	(2,007)

*Low includes those with high school or less, only attending private school and those attending but not graduating from university.

**Post graduates include training in law.

While some slight differences remain in education at the elite level, they are minimal since 86 per cent of the Canadian elite have had some post secondary training, as have 97 per cent of the U.S. elite.⁵ In both countries the foreign born tend to be slightly higher on low education and slightly lower on post graduate education, but in Canada, there is a fairly substantial difference at the post graduate level mainly because law is included with post graduate and more Canadian born than foreign born are trained in law.

What is the relationship between class of origin and particular universities? The following table lists, separately, several top Canadian and U.S. universities and also distinguishes between those not attending university. It reports on upper class origins and careers in family firms, in both cases limited to U.S. and Canadian born. It is clear from these profiles that some universities attract a greater proportion of the elite from upper class families than do others. The U.S. 'big three', between them graduating over 400 members of the current elite as undergraduates (Yale, Princeton and Harvard), stand out as particularly prominent socializing agents of the upper class. In Canada, the 'big two' are the University of Toronto and McGill, graduating 266 members of the Canadian born elite as undergraduates.

⁵ These differences are almost identical to the results of two Heidrick and Struggles' surveys of Canadian and U.S. corporate presidents, which found that only 4 per cent of the U.S. presidents and 13 per cent of the Canadian presidents were without post secondary education (1972:7; 1973:8).

TABLE THIRTY-NINE
Upper Class Origins and Careers in Family Firms
for Elite Attending Universities

Undergraduate University U.S.	Per Cent Upper Class	Per Cent Career in Family Firms	Undergraduate University Canada	Per Cent Upper Class	Per Cent Career in Family Firms
Yale	83%	49%	Univ. of Toronto	70%	28%
Princeton	68%	34%	McGill	72%	30%
Harvard	60%	21%	Univ. of Montreal	91%	30%
MIT	47%	30%	Univ. of Manitoba	73%	30%
Dartmouth	44%	15%	Queen's	50%	23%
Stanford	35%	30%	Univ. of B.C.	47%	21%
Columbia	25%	11%	1 of 4**	48%	20%
1 of 9*	35%	24%	Other	55%	30%
Other	21%	10%	Not attending	47%	21%
Not attending	36%	19%			

*The nine are Amherst; Cornell, University of California at Berkeley, University of Chicago, University of Michigan, University of Pennsylvania, University of Virginia, Trinity and Williams. The selection of these places was based mainly on Baltzell, 1958:320.

**The four are Royal Military College, University of Alberta, Dalhousie and University of Western Ontario.

There is a much greater range in upper class origins for elite members attending particular universities in the U.S. than in Canada. The U.S. ranges from 83 per cent upper class for Yale to only 21 per cent for those attending a university other than the 16 listed. In Canada, the range is from 91 per cent at the University of Montreal to 47 per cent. In Canada, the range for careers in family firms is only between 20 and 30 per cent while in the U.S., the range is from 10 to 49 per cent. The fact that Yale alone had 172 members of the current U.S. elite as undergraduates and 83 per cent were of upper class origins, with half going on to careers in family firms, strongly suggests its role in forming the elite into a socially active upper class. In Canada, the University of Toronto alone had 178 members of the current elite with 70 per cent upper class and 28 per cent going on to family firms.

Graduate education is even more concentrated in a few schools than is undergraduate training. Standing well above all others is Harvard, with 341 or one third of all those attending graduate school, followed by Columbia (55), Yale (45), MIT (38) and Stanford (31). These five institutions

account for half of all those in the U.S. elite going to graduate school. In the Canadian elite, three graduate schools account for half those attending graduate school. University of Toronto had 83 (26 per cent) and McGill 34 (11 per cent). The other university is the one heading the U.S. list, Harvard, with 40 (12 per cent).

A fairly lengthy discussion of the role of Harvard's MBA programme was provided in the previous chapter for those with commerce degrees, illustrating not only that many attended but many attended at the same time. Within the current U.S. elite, 174 members have gone to Harvard for MBA's and an additional 60 have gone there for the Advanced Management Program. In the May 1970 edition of Fortune, Marilyn Wellemeyer reports on a survey of 621 members of the Harvard Business School's class of 1949, calling the article "The Class The Dollars Fell On." About 60 per cent of the graduates replied to the questionnaire. The average income of this group of graduates is \$53,561 and net worth averages \$251,000, with 57 millionaires. Has Harvard been an avenue of mobility for the working class? Not for many; only 6 per cent of the MBA class in 1949 were sons of salesmen and 4 per cent sons of foremen or skilled craftsmen. While only 60 of the students came from outside the U.S., 21 of these were from Canada, serving to draw many of Canada's future elite into the continental circles at an early age. Among the current Canadian economic elite, some 34 Harvard MBA's can be found; 77 per cent of these are from upper class origins.

As would be anticipated, the trend in the U.S. elite as in Canada, is toward more post graduate training. While 40 per cent of the oldest group have attended graduate school, 46 per cent of the middle and 59 per cent of the youngest group have post graduate training. In Canada, both the oldest and middle group are 39 per cent and the youngest 44 per cent. One effect of higher education is to remove the burden of having to make the 'long crawl' up the corporate ranks. While 28 per cent of those with low education are long crawlers in the U.S. and 44 per cent in Canada, only 10 per cent in the U.S. and 4 per cent in Canada of those with post graduate training have remained in the same corporation for over 29 years before becoming corporate officers. Thus, early socialization in universities serves as a substitute for later socialization in the corporate world.

The following table illustrates the curvilinear relationship between education and upper class origins in both Canada and the U.S.

TABLE FORTY

Upper Class Origins and Educational Level

Education Level*	<u>Per Cent Upper Class Origins</u>	
	Canada	U.S.
Low	47%	37%
University graduates	66%	42%
Post graduates	59%	30%

*See Table Thirty-Eight

In both cases, those who are simply university graduates are higher in upper class origins than those lower and higher. This pattern is also reflected in inheritance patterns. In the U.S., only 13 per cent of those who attended graduate school inherited but 25 per cent of both low and university graduates are inheritors. In Canada, 23 per cent of the low, 38 per cent of the university graduates and only 21 per cent of the post graduates are inheritors. The privileged who do decide to go on to post graduate work tend to concentrate on commerce and law rather than science or arts.

Very few members of the U.S. elite have attended Canadian universities, reflecting the fact that the U.S. has been regarded as the intellectual as well as economic centre. But one member of the U.S. elite who has attended a Canadian University is Cyrus Eaton. In Hamilton, Ontario on May 31, 1975, he toasted his alma mater, McMaster University, where he graduated in 1905, saying, "I am proud that my uncle, the late U.S. Congressman Charles Eaton, was one of five American founders of the UN in 1945. It was Uncle Charley's enthusiasm as a member of the McMaster's Board of Governors, I must mention, that convinced me that this was the college for me."

Another educational institution that serves to forge the elite into an upper class and clearly acts as a socializing agent for children of the privileged will now be analysed--the private boys' school.

Private Schools and Private People

Private schools are important in the 'making of a national upper class' because they create solidarism within this class by providing common experiences and forging lasting friendships. They exclude outsiders with their admission policies and fees and create, within the young of the upper class, a consciousness of kind, transmitting these traditions over several

generations. According to C. Wright Mills, "If one had to choose one clue to the national unity of the upper social classes in America today, it would best be the really exclusive boarding school for girls and the prep school for boys." (1956:64). The origins of these schools clearly place them among the most exclusive institutions in the U.S. right from the beginning. E. Digby Baltzell tells of the origins of some:

The Taft School in Watertown, Connecticut, was founded by Horace Dutton Taft, a brother of President Taft, in 1890; the Hotchkiss School, Lakeville, Connecticut, was founded and endowed by Maria Hotchkiss, widow of the inventor of the famous machine-gun in 1892; St. George's School, Newport, Rhode Island, which was a million-dollar Gothic chapel built by John Nicholas Brown, was founded in 1896; in the same year, Choate School, whose benefactors and friends include such prominent businessmen as Andrew Mellon and Owen D. Young, was founded by Judge William G. Choate, at Wallingford, Connecticut; while the elder Morgan was forming his steel company in New York and Pittsburgh in 1901, seven Proper Bostonians, including Francis Lowell, W. Cameron Forbes, and Henry Lee Higginson, were founding Middlesex School, near Concord, Massachusetts (1958:302).

One of the difficulties Baltzell found in doing a systematic analysis of those attending private schools is the failure of many biographies to list these schools, thus resulting in an undercounting of the actual extent of private school attendance among the elite (1958:294-295). Nevertheless, it is clear that many members of the U.S. economic elite have attended these schools, schools where only 0.5 per cent of the students in the U.S. now attend (see Domhoff, 1970:36n). In total, there are 539 schools which report to the National Association of Independent Schools but among these, there are really only about twenty that are 'top' schools: Andover, Exeter, St. Paul's, St. Mark's, Groton, St. George's, Kent, Taft, Hotchkiss, Choate, Loomis, Middlesex, Deerfield, Portsmouth Priory, Canterbury, Lawrenceville, Hill, Episcopal and Woodbury Forest being the most important. Many of these schools are wealthy in their own right; for example, Exeter Academy has an endowment of \$70 million, and boys attending boarding school, or at least their parents, can expect to pay about \$4,000 a year. Boarders' fees for Canada's top private school, Upper Canada College, are equally prohibitive at \$4,610 a year.

Among the current U.S. economic elite about 400 members (or 20 per cent) report attending one of the top private schools (as identified in Baltzell, 1958 and Domhoff, 1967). Andover leads them all, with 61 current members of the U.S. elite having been there, followed by other top schools like Hill, Hotchkiss, St. Paul's and Groton. This is about half the proportion found among the Canadian economic elite where 41 per cent have attended private schools. Of these 284 Canadian members of the elite attending private schools, 41 have gone to Upper Canada College in Toronto, Canada's most prestigious private school. In both cases, however, these percentages undercount actual attendance because elites (especially in the U.S.) tend not to report private school attendance.

Regional differences in private school attendance are very marked in the U.S. With 29 per cent of those born in the Mid-Atlantic region going to private schools and 31 per cent of those born in New England, but only one of those born in the Mountain region (1.6 per cent). Other regions are more similar, with the South the next highest (17 per cent), followed by the North Central (14 per cent) and Pacific (13 per cent) regions. By religion, Episcopalians are most likely to have attended a top private school (36 per cent).

In Canada, regional differences are again marked with Quebec the highest with 63 per cent, 30 per cent of whom had attended top classical colleges like Jean-de-Brebeuf in Montreal. Next are Manitoba (48 per cent), the Maritimes (42 per cent) and Ontario (37 per cent), while the three western provinces are again lower, with only 7 per cent in Saskatchewan, 28 per cent in Alberta and 22 per cent in British Columbia. The Episcopalian counterparts in Canada, the Anglicans, are also the most inclined to attending private schools, accounting for 38 per cent of all attending (47 per cent if French Canadians and classical colleges were excluded).

Thus, region and religion both have an effect on private school attendance in both countries, but these effects are not as great as having solid upper class origins. Of those whose fathers were in the economic elite in a previous generation, 58 per cent in the U.S. and 68 per cent in Canada report attending private schools; looked at another way, of those in the elite who went to private school, 38 per cent in the U.S. and 32 per cent in Canada had fathers in the economic elite. For those born 'at or near the top' (those with upper class origins aside from private school),

60 per cent in Canada and 45 per cent in the U.S. attended private schools. Of those who did not go to private school, 13 per cent in the U.S. and 18 per cent in Canada were inheritors. But, of those who attended private schools, 48 per cent in each inherited. The effects are similar with respect to having careers in family firms and current kinship within the elite, all of which are higher if the person attended a top private school.

The different class profiles of those attending specific top universities has already been discussed. These differences are clearly evident in the relationship between top private schools and top universities. Baltzell has observed these linkages between private schools and universities, noting that "three-fourths of the Exeter boys have gone to Harvard for generations, just as their rivals at Andover have gone to Yale (in spite of this tradition, the class of 1929 at Princeton included fifty-seven Exeter and Andover alumni). Quite naturally, a vast majority of the Groton and St. Paul's boys go on to Harvard, Yale or Princeton each year. In 1934... over 95 per cent of the 106 graduates of St. Paul's went to one of the 'big three'" (1958:328-329). Baltzell's findings are borne out in the current economic elite. Of those going to Andover or Exeter, 15 per cent went to Harvard, 41 per cent to Yale and 16 per cent to Princeton, with the 'big three' receiving 72 per cent of all their graduates. Hill has 42 per cent of its elite graduates attending Princeton, 8 per cent to Harvard and 13 per cent to Yale, with the three accounting for 63 per cent. For Hotchkiss, 59 per cent went to Yale, 26 per cent to Princeton and 7 per cent to Harvard (92 per cent of them all); for St. Paul's, 25 per cent to Harvard, 50 per cent to Yale and 5 per cent to Princeton (80 per cent of all); for Groton, 33 per cent to Harvard, 47 per cent to Yale and 20 per cent to Princeton, with 100 per cent attending one of the 'big three'. Overall, of all those attending private schools, three quarters went to one of the name universities discussed earlier compared to one half of those not attending private schools.

The initial advantage of private school attendance spills over into later elite interaction, since 30 per cent of those who went to private schools in the U.S. hold more than one dominant position in the elite compared to 25 per cent of those not attending. In Canada, the difference is between 40 per cent multiple directors with private school and 28 per cent without.

Within the economic elite, private school attendance correlates strongly with all of the major class variables such as class of origin, inheritance, careers in family firms and current kin within the elite. It also correlates with other aspects related to class, such as region of birth and religious affiliation. But private school friendships and ties do not sustain themselves forever if they are not nourished. The major upper class institutions used to nourish these early ties are the exclusive national men's clubs. More explicitly than any other class institutions, the private clubs are sustained by a class of nomination and rooted in a class of reproduction. While simultaneously providing continuity to the upper class, they also absorb 'properly' socialized members of the economic elite from outside the upper class.

Private National Men's Clubs

In Canada the club circle of the economic elite is extremely tight. Three fifths of the economic elite belong to one of seven exclusive clubs (the National, York or Toronto Clubs in Toronto, the Mt. Royal or St. James Clubs in Montreal, the Vancouver Club in Vancouver or the Rideau Club in Ottawa). Between them, these 'clubmen' have an average of almost two top club memberships each in the seven. The U.S. is a much larger society, with eleven times the population, so it would not be expected to have the same degree of 'tightness' characteristic of the Canadian club circuit. But, even beyond the differences, the same degree of emphasis on club life is not evident. For example, a Heidrick and Struggles survey of corporate presidents in Canada and the U.S. found that U.S. companies are less likely, than Canadian ones, to provide club memberships at company expense. In Canada, 91 per cent of the presidents were given 'town club' memberships at company expense compared to 65 per cent in the U.S. (1972:5; 1973:6). Nevertheless, clubs remain an important part of elite interaction and upper class continuity within the U.S.

The most detailed analysis of club life for the U.S. is in the work of E. Digby Baltzell. His description of the admission processes to clubs clearly conforms to the class of reproduction and class of nomination distinction introduced earlier. The following is his commentary on one of the top U.S. clubs:

There are, by and large, two ways to enter the Philadelphia Club. First, every year a small group of younger men in their twenties and thirties, invariably relatives of the present members, are taken into the club. This group of younger men forms the nucleus of ascribed members in their generation. Second, certain capable men who have achieved a high and respected position in the business and cultural life of the city are taken into the club each year... They are rarely proposed for membership, however, until they have proved themselves occupationally... as each generation of ascribed members of the Philadelphia Club take their places in the business and cultural life of the city, they bring into the club those of their contemporaries whom they (and their fathers) consider 'worth-while' and, above all, congenial. These 'new men', in turn, have sons who will become ascribed members of the club at a young age. The self-made man finds that club membership is one of the best entrees into the upper class, and one of the best ways of passing on his achieved position to his family (1958:348).

While there are certain top clubs which are more exclusive than the others, it is not possible, as it is in Canada, to narrow these clubs down to the top seven. Rather, using the research of Baltzell (1958:338) and G. William Domhoff (1970:23-24) and additional sources on the upper class, it is possible to identify the top 45 clubs which, in turn, can be subdivided. U.S. exclusive national men's clubs can be identified as the Top 10 (Brook of N.Y.; Chicago; Detroit; Duquesne of Pittsburgh; Links of N.Y.; Pacific Union of San Francisco; Philadelphia; Somerset and Union of Boston and the Union of N.Y.). Following these are the Next 15 (Augusta National of Georgia; Buffalo Club; California of Los Angeles; Cincinnati; Knickerbocker of N.Y.; Maryland of Baltimore; Metropolitan of N.Y.; Metropolitan of Washington; Piedmont Driving of Atlanta; Pinnacle of N.Y.; Pittsburgh; Queen City of Cincinnati; Rittenhouse of Philadelphia; Rolling Rock of Pittsburgh and Union of Cleveland). In Addition to these 25 clubs are a series of 20 other clubs, with a more regional than national flavour, but they tend to blend the local upper classes with the national one. These are the 20 Top Regional clubs (Arlington of Portland; Bohemian of San Francisco; Boston of New Orleans; Burlingame Country of San Francisco; Century of New York; Charleston; Commonwealth; Cosmos of Washington; Denver; Everglades of Palm Beach; Hartford; Milwaukee; Minneapolis; Piping Rock of New York; Ranier of Seattle; River of New York; Saturn of Buffalo; St. Louis Country; Sky; and Woodhill Country of Minneapolis).

Among the U.S. economic elite, 45 per cent declare a membership in at least one of these clubs. At least 26 per cent belong to one of the Top 10, with 22 per cent belonging to at least one of the Next 15 and 18 per cent to one of the 20 Regional clubs. The problem is that these figures are necessarily conservative, since many members of the elite fail to declare their club memberships in the biographical sources examined. Nevertheless, it is possible to examine the characteristics of those who report belonging to the national exclusive men's clubs in the U.S.

Of those not belonging to one of the Top 10 U.S. clubs, 33 per cent are upper class in origin compared to 40 per cent of those who do belong to one and 46 per cent of those belonging to 2 or more. Of those who had fathers in the economic elite, 34 per cent are members of one of the Top 10 clubs compared to 24 per cent of the others. In terms of the entire 45 clubs, the 'clubmen' are 39 per cent upper class in origin compared to 33 per cent of the others. Of those attending private schools, 36 per cent belong to one of the Top 10 compared to 24 per cent of the others. In terms of the total 45 clubs, 56 per cent of the private school graduates belong to one or more of the clubs compared to 42 per cent of the others.

In Canada, the club circuit is much more intimate than in the U.S. and even more exclusive. In terms of the top seven Canadian clubs, of those without a membership, 54 per cent are upper class; of those with one membership, 63 per cent are upper class and with two or more, 68 per cent are upper class in origin. Of those attending a private school in Canada, 71 per cent have at least one membership in one of the top seven clubs. In terms of their position within a dominant corporation, 50 per cent of the insiders, 55 per cent of the outsiders and 79 per cent of the executives belong to one or more of the top seven clubs.

Within dominant U.S. corporations, executives and outsiders are also most likely to belong to one of these clubs. While only 12 per cent of the insiders belong to one of the Top 10 clubs, 27 per cent of the outsiders and 33 per cent of the executives belong. Only 26 per cent of the insiders belong to at least one of the top 45 clubs compared to 64 per cent of the chairmen or chairmen of the executive committees. Clubmen tend to be drawn more from particular career types, such as law and financial executives or financiers. Multiple directorship holders are much more likely to be clubmen

than single dominant directorship holders, while those making 'long crawls' through the ranks of the corporation are less likely. Among the members of the U.S. elite who are either multiple directorship holders or hold an executive position in one of the dominant corporations, 59 per cent are clubmen compared to 37 per cent of the others. Of those holding a dominant bank directorship, 64 per cent belong to one of these clubs compared to 39 per cent of the others.

National exclusive men's clubs are mainly 'town clubs,' devoted mainly to meeting places, luncheons and places for out of town businessmen to stay, but there are other important 'country clubs' where members of the elite come together in a recreational capacity. For example, of the 42 'best golfers in American business,' compiled by Fortune (December 1973:48), 31 are members of the U.S. economic elite. The following have Blind Brook, Port Chester, N.Y., as their home club: Howard L. Clark, chairman of American Express; Robert S. Hatfield, chairman of Continental Can; James D. Robinson III, executive vice-president of American Express; Lewis A. Lapham, vice-chairman of Bankers Trust; John S. Lawson, chairman of Marine Midland; Clifton C. Garvin, Jr., president of Exxon, William H. Morton, president of American Express; Jack S. Parker, vice-chairman of General Electric. These social and recreational ties help to bring the economic elite into an interacting upper class.

Some of these club ties extend from Canada to the U.S. Of the Canadian economic elite, 96 have a club membership in the U.S., or about 12 per cent of the total elite. These include 40 in one of the Top 10 and 56 in others. There are at least seven in each of the Links and Rolling Rock of Pennsylvania, but because many do not list all their memberships, it is not possible to provide a complete inventory of all the clubs (which would require working from the club lists themselves back to the list of members of the economic elite). Canadian born members of the U.S. economic elite, nevertheless, tend to be well integrated in the U.S. club world. Of the Canadian born in the U.S. elite, 34 per cent (13 of 38) belong to one or more of the Top 10 U.S. clubs compared to 26 per cent of the U.S. born. Thus, at least a part of the Canadian economic elite and the Canadian born in the U.S. elite belong to the social network of the U.S. upper class.

Inversely, some members of the U.S. economic elite are members of Canada's exclusive clubs. The Mt. Royal in Montreal (where 185 Canadian resident elite belong, representing 40 per cent) seems to be the most frequented with U.S. elite members, like Stephen Davison Bechtel, Jr., chairman of Bechtel Group and a director of General Motors, Crocker National Bank and Southern Pacific (Bechtel also belongs to the York Club in Toronto); Gilbert Watts Humphrey, chairman of Hanna Mines and a director of General Electric, Texaco and National Steel in the U.S. and Massey-Ferguson and Sun Life in Canada; Walter Adelbert Marting, of Hanna Mining, a director of Bankers Trust N.Y., Eaton Corporation and National Steel in the U.S. and chairman of the Iron Ore Company of Canada; Joseph Paul Monge, chairman of the finance committee of International Paper, chairman of Canadian International Paper, a director of the Royal Bank and on the advisory board of Chemical Bank N.Y. (Monge also belongs to the St. James Club); Ellmore Clark Patterson, chairman of J.P. Morgan, a director of General Motors and Santa Fe Industries in the U.S. and Canada Life and INCO in Canada (Patterson also belongs to the Toronto Club); Thomas Wright Russell, Jr., president of International Executives and a director of Connecticut General Insurance; James A. Stewart (who was born in Winnipeg and now lives in the U.S.), executive vice-president of Continental Can and a director of the Toronto-Dominion Bank and Continental Can of Canada; Henry Smith Wingate, member of the executive committee and a director of U.S. Steel, American Standard and J.P. Morgan in the U.S. and chairman of the advisory committee and a director of INCO and a director of Canadian Pacific. All are U.S. resident elites with memberships in the exclusive Mt. Royal Club of Montreal.

National exclusive men's clubs in both Canada and the U.S. serve as an important meeting ground for the elite where they can discuss their common problems and arrange common business. While club life is much more developed among the Canadian elite and confined to fewer exclusive clubs, an impressive club network also exists in the U.S. Canada's elite is considerably smaller than that of the U.S. and, as a result, finds it easier to come together in the club circuit. Exclusive national men's clubs also serve as a common meeting ground for part of the economic elites from both nations to come together socially and exchange views and news about the economic and political world. Together with the private schools and top

universities, as well as class and kinship ties discussed earlier, the Private clubs help to bind the economic elite into a socially interacting set of people. More than just an elite of position, the economic elites in Canada and the U.S. are a closely knit group familiar with each other and each other's business. They take one another into account and frequently enter into joint business ventures like the consortia discussed earlier, as well as buying and selling goods and capital to and from one another. These ties occur within each nation's elite but also between them, as will be analysed in more detail in the next chapter. But before this aspect of continental capitalism is explored, it is important to briefly examine relations between the economic and state elites in Canada and the U.S.

IV. Relations Between Elites

Two aspects of relations between economic and state elites in Canada and the U.S. will be briefly examined here. The first is policy making forums which serve to unify the economic elite outside the state system on political questions and are themselves 'pressure groups' for the business viewpoint on state policy making. The second aspect is personal ties between members of the economic elite and the state.

In both Canada and the U.S., policy making forums frequented by members of the economic elite have proliferated. Earlier, the Pacific Basin Economic Council and Canadian Association for Latin America were discussed, but other elite forums of importance in Canada include the Canadian Executive Service Overseas, the Canadian-American Committee, the Conference Board in Canada, various advisory boards to Industry, Trade and Commerce and others (see Clement, 1975:256-259). Many similar associations also exist in the U.S. The most important is likely the Council on Foreign Relations which, according to Domhoff, "limits itself to 700 New York area residents and 700 non-New York residents (no women or foreigners are allowed to join). As of the mid-sixties, 46 per cent of the resident members and 49 per cent of the non-resident members, most of whom are big businessmen and lawyers, were listed in the Social Register" (1970:116). While not all members of the Council on Foreign Relations list their memberships, biographical sources reveal that 104 current members of the U.S. economic elite belong to the Council on Foreign Relations.

Following the Council on Foreign Relations in importance is the Committee for Economic Development, whose purpose is to create and sustain stable economic conditions within the U.S. by generating policy on questions such as production, employment and business cycles. Among the current U.S. economic elite, 77 members report belonging to this organization. The next most important elite forum is the Business Council, an organization to which at least 65 current members of the elite belong. Other associations of importance for unifying the economic elite on political questions include the World Affairs Council and the Foreign Policy Association.

In the current U.S. elite, 13 per cent of the members report belonging to one or more of these five associations. While this cannot be said to constitute complete coverage (which would require working from the list of members back to the elite), it is apparent that there are some members of the elite more prone to association with one of these groups than are others. For example, 24 per cent of those with bank directorships belong to an important forum compared to only 10 per cent of those without bank directorships. Similarly, 20 per cent with insurance directorships belong compared to 12 per cent without. By career types, it is those who have had their main careers in other sectors that are most likely to belong, with 29 per cent of those whose main career has been in another elite reporting at least one membership in the five associations and 19 per cent of those whose main career was in another sector but not holding an elite position. It is also those already most active within the elite that tend to belong; while only 8 per cent of the single dominant directorship holders belong to at least one, 26 per cent of the multiple directorship holders belong to one of the five key associations.

A broader range of these policy making associations have been analysed by G. William Domhoff. He finds that,

The owners and managers of large banks and corporations, with a little bit of help from their hired academics, lawyers, and public relations people dominate everything in this country that is worth dominating--foreign policy through such organizations as the Council on Foreign Relations, Council of the Americas, and Trilateral Commission; economic policy through the like of the Conference Board, Committee for Economic Development and Brookings Institution; population policy through such groups as the Population Council, Population Reference Bureau, and Planned Parenthood; environmental policy through Resources for the Future, Conservation Foundation, and American Con-

servation Association; legal policies through the American Law Institute and committees of the American Bar Association; and educational policy through such entities as the Ford Foundation, three Carnegie foundations, and the Carnegie Council for Policy Studies in Higher Education. Every one of these organizations is financed and directed by the same few thousand men who run the major banks and corporations (1975:46).

These policy making forums do not, in themselves, dominate the state but they do ensure that the economic elite is the most articulate segment of society and has its views taken into account when state policy is formulated. Another way the economic elite 'keeps in touch' with the state is through personal ties, either by themselves taking on important positions within the state or by recruiting into the corporate world those who have valuable inside knowledge of the state.

It is worthwhile to give some idea of the type of people involved in this practice of elite switching which serves to bring various elites together. While it is often contended that as societies become more complex and, hence differentiated, that specialization of task becomes a hallmark. However, this does not appear to hold at the upper levels of corporate power in either Canada or the U.S. In both, there is extensive career switching between top corporate posts and those in the military, the cabinet, academia, regulatory agencies and the like.

In Canada, there are much clearer career breaks between the economic and political elites. That is, there is a tendency to move to the top of the federal bureaucracy or cabinet (which is a post requiring election in Canada) to the economic elite or, occasionally, from the top of the corporate world to political office. While these tend to be clear career breaks in Canada, in the U.S. the holding of elite positions in the state is often interspersed throughout their career and often for brief periods of two or three years. Part of the reason is the patronage civil service in the U.S. and the fact that cabinet posts are appointed and do not require election.

The state is the major locus for careers outside the economic world, but the academic world is also somewhat integrated in the U.S. and to a lesser extent in Canada. In the U.S. economic elite, 231 have been in government (11.5 per cent), 23 have held high ranking military careers

outside of wartime (1.1 per cent) and 149 have been academics (7.4 per cent). Among the Canadian born, the military is virtually absent (only one case) but there have been 124 with some career in the state (18 per cent) and 38 have been academics (5 per cent).

Besides being directly in the state system, 114 members of the U.S. elite have sat on one or more presidential commissions and 90 on other high level government commissions, including 10 per cent of the entire U.S. elite. In Canada, 26 have been on Royal Commissions and 84 on other boards or commissions while 45 sit on the boards of crown corporations, including between them about 15 per cent of Canada's elite.

In both Canada and the U.S., members of the economic elite tend to shy away from elected positions but are readily recruited to appointed ones. For example, only 29 members of the U.S. elite have held elected positions as governors or state or federal legislators. However, 27 have been appointed to federal cabinet positions, 22 have been appointed as ambassadors and 100 have held high federal bureaucratic positions during peacetime and another 85 during wars (the Second World War or Korea). These personal ties tend to cut across the lines drawn between public and private power with the same people operating on both sides.

Some examples of career switches between other elites and the economic elite were provided earlier. However, the following are a few cases of members of the economic elite moving into top state positions. For example, "For the second time in less than a decade, Bell & Howell has lost a chief executive to government service. Charles H. Percy, who has been in the Senate since 1966, gave up the post when he entered politics in 1963. Now Peter Peterson, 44, who took over from Percy, is moving to Washington to be the first Assistant to the President for International Affairs. In addition, Peterson will be executive director of the newly created Cabinet-level Council on International Economic Policy" (Fortune, March 1971:32). One reason why the movement from the economic elite to the state is so rare is the great difference in salaries. For example, at Bell & Howell, Peterson was making over \$125,000 a year but in his new job makes only \$42,500. This is sufficient disincentive to keep the general flow away from the state toward the economic elite. One factor that reduces this

disincentive is the fact that the stays in the state in the U.S. are usually of short duration and after returning to the economic world, they are even more valuable than when they went in for their brief foray. Since 1973, Peterson finds himself back in the economic elite, now chairman of Lehman Brothers and a director of Federated Department Stores, General Foods and 3M. Some of the relations are particularly incestuous, like "Secretary of Agriculture Earl L. Butz and his predecessor, Clifford M. Hardin, [who] virtually switched jobs at the Ralston-Purina Company and the Agriculture Department" (New York Times, November 12, 1972:sections 3-2).

Not all cases of movement between elites in the U.S. involve complete career switching since some involve only brief moves of a few years 'stepping out' of the corporate world. The following cases give a further sense of the type of people moving between top state positions to the U.S. economic elite:

Robert Bernerd Anderson, former secretary of the Navy, deputy secretary of defence and secretary of the treasury is now chairman of Robert B. Anderson & Co. and a director of Goodyear and Pan American World Airlines.

Former chairman of the International Bank for Reconstruction and Development, running the World Bank, is Eugene Robert Black, who is now a consultant to American Express and a director of ITT and Boise Cascade.

Former governor of Texas and secretary of the U.S. Treasury, John Bowden Connally, Jr., is now a law partner and a director of Pan American as well as Falconbridge Nickel, a dominant Canadian corporation.

Donald Clarence Cook, former chairman of the Securities Exchange Commission and other senior posts, declined an offer from President Johnson to become secretary of the treasury to retain his post as chairman of American Electric Power and a director of Lincoln National.

Gesualdo A. Constanzo, whose brother is an advisor to the International Monetary Fund and special assistant to the secretary of the U.S. Treasury, was deputy director of the Western Hemisphere of the International Monetary Fund among other senior posts before becoming vice-chairman of First National City Bank and vice-president of Citicorp, a director of Beatrice Foods, National Cash Register and Owens-Illinois (as well as chairman of the Mercantile Bank of Canada).

Arthur Hobson Dean was a U.S. ambassador to Korea and chairman of several U.S. delegations to Geneva and is now a senior partner with Sullivan & Cromwell and a director of AMAX and El Paso Natural Gas.

Robert Fred Ellsworth is former U.S. ambassador to NATO and now general partner of Lazard Freres & Co., as well as a director of Allied Chemical and General Dynamics.

Thomas Sovereign Gates, Jr. is following his father's footsteps at J.P. Morgan but only after being undersecretary of the navy and secretary of defence, now holding directorships, besides in J.P. Morgan, in Bethlehem Steel, INA, Cities Service and General Electric.

James Maurice Gavin became a lieutenant general and later ambassador to France and is now a director of John Hancock and American Electrical Power.

Najeeb Elias Halaby is former head of the Federal Aviation Administration, leaving to become chairman of Pan American World Airways, and is now a director of Chrysler and Bank of America.

William McChesney Martin, Jr. was the Federal Reserve Board chairman from 1951 to 1970, later becoming the first full time president of the N.Y. Stock Exchange and is now a director of American Express, General Foods, U.S. Steel, Caterpillar Tractor and IBM. His case is interesting because Martin was "literally reared in the tradition of the Federal Reserve System" (Current Biography, May 1951:35) since his father was a former governor and president of the Federal Reserve Bank.

Donald William Nyrop, former chairman of the Civil Aeronautics Board is president of Northwest Airlines, a director of First Bank System and Honeywell.

Samuel Riley Pierce, Jr., former head of the legal division of the U.S. Treasury, is a director of Prudential, International Paper and Public Service Electric.

William Warren Scranton, former governor of Pennsylvania, is chairman of the Northeastern Bank of Pennsylvania and a director of Pan American Airlines, IBM and Sun Oil.

Horace Armor Shepard, former chief of staff of the U.S. Air Force, is chairman of TRW and a director of Procter & Gamble and Standard Oil (Ohio).

George Pratt Schultz, former secretary treasurer, is now with Bechtel and is a director of J.P. Morgan & Co.

Hobart Taylor Jr. is a former director of the Export-Import Bank and now a director of Westinghouse Electric, Standard Oil (Ohio), Aetna Life and Great West A&P.

Cyrus Roberts, former deputy secretary of defence is a director of Aetna Life, Pan American and IBM. Many similar examples of those switching from the state to the economic elite have already been provided for Canada (see Clement, 1975:260-266). However, there are a few switches which have occurred since then that are worth exploring. Before being recruited to head the government's Anti-Inflation Board and after being defeated at the polls as Minister of Industry, Trade and Commerce, Jean-Luc Pepin was welcomed into the board rooms of Bombardier, Canada Steamship Lines, Celanese Canada, Westinghouse Canada and Power Corporation. John Turner, former Minister of Finance and cabinet minister from 1965 to 1975 was immediately recruited to the boards of Crown Life Insurance, Credit Foncier and Canadian Pacific after he resigned. Finally, Simon Reisman, Canada's top civil servant as deputy minister of finance, immediately joined George Weston Limited after he resigned and became a director of Burns Foods, also establishing a consulting firm in Ottawa with James Grandy who also recently resigned as deputy minister of Industry, Trade and Commerce.

Neither in Canada nor the U.S. has the state been free from the sway of the economic elite. In both, the state has frequently been used to further the ends of private power and private accumulation of capital. As far as a profile of each economic elite is concerned, it is clear that there have been many close relations between these two systems of power. The focus here is on economic and not state power, but it is clear that the two are in many ways related. In the final chapter, some implications of continental economic power for the exercise of state power will be explored, but first, a more detailed analysis of the relationship between Canadian and U.S. elites and managers will be provided.

CHAPTER NINE

Relations Between U.S. and Canadian Elites and Managers

Throughout this study the focus has been on economic power relations between Canada and the U.S. The initial chapters set the stage for understanding the continental economy by providing historical background to current developments which were then analysed in terms of the multinational and continental activities of corporations, as well as national and continental interlocks. The last two chapters have concentrated on comparing the two economic elites by examining profiles of each, occasionally suggesting some of the implications for relations between them. It is now important to turn specifically to an analysis of their relationship and the implications of the continental economy for the elites themselves. The final chapter will focus on the implications of the continental economy for Canadian society.

This chapter examines the multinational and continental activities of the U.S. elite, particularly the place of foreign resident members of that elite. Canadians in the U.S. elite are specifically focused upon. To complement this analysis, a survey of Canadian born U.S. resident managers has been made in order to identify in more detail some aspects of this development. This is followed by an examination of some common associations within which both Canadian and U.S. elites participate. Attention is then turned to the multinational and continental activities within the Canadian elite as a result of foreign dominance.

A. Multinational Activities of the U.S. Economic Elite and Foreign Born in the Elite

The most important difference between dominant U.S. corporations accounting for whether they were multinational or not was the type of economic activity they engaged in; that is, their economic sector. Once again, this holds for the actual members of the economic elite, as the following table illustrates. The sector where members of the U.S. economic elite are least likely to be multinational is transportation/utilities, where over half are not multinational and only 20 per cent are multinational because of their main affiliation and another 25 per cent are multinational because of secondary affiliations. The most multinational, as earlier with dominant corporations, is resources, where only one per cent are not multi-

national and most are multinational because of their main affiliation. The situation is similar with the manufacturing sector and, to a lesser extent, finance. Trade tends not to be extensively multinational compared to the other sectors, but almost the same proportion of the elite with directorships in trade are multinational because of their main affiliation, as in finance.

TABLE FORTY-ONE
Multinational Activities of the U.S. Economic Elite
by Sector

Those with a Dominant Directorship in:	Main Corporation Multinational	Other Dominant Multinational	Not Multinational	(N)*
Transport/Utilities	20%	24%	54%	(414)
Finance	43%	39%	18%	(657)
Resources	72%	28%	1%	(202)
Manufacturing	57%	34%	9%	(1,147)
Trade	42%	32%	27%	(127)
All U.S. Born and Resident	46%	30%	24%	(1,894)

*Columns do not total since members have directorships in more than one sector.

This same general pattern tends to hold when the U.S. elite members are examined by career avenues and main current affiliations. There are some differences in terms of careers outside the economy. For example, of those with careers in publishing, only 46 per cent are multinational and only 4 per cent of these because of their main affiliations and half are multinational because of secondary dominant affiliations. Those with their careers in the law (26 per cent), academics (26 per cent) or the state/military (28 per cent) are only somewhat less likely than the entire elite to not be multinational (24 per cent). However, they tend to be multinational because of secondary affiliations rather than main ones.

Of the foreign born now resident in the U.S. (49), only one is not associated with a multinational corporation and 67 per cent have their main affiliation with a multinational compared to 47 per cent of all the elite. Thus, with the internationalization of capital, a select few from outside have been drawn into the U.S. resident economic elite. Neverthe-

less, this has not reached the stage where it could be argued that the U.S. economic elite itself had taken on an international flavour. Only 6 per cent of the entire U.S. elite is foreign born. Among the U.S. elite resident outside Canada or the U.S., three are U.S. born, seven resident in the U.K., three in each of Belgium and Italy, two in Switzerland, and one in each of France, Sweden, Denmark, Netherlands and Puerto Rico. Each of these 20 foreign born and resident members of the elite (excluding Canada) hold only one dominant U.S. directorship. Clearly, the continental ties between members of the Canadian and U.S. economic elites are much stronger than those established by the U.S. with any other country. The U.S. economic elite remains a national elite, with multinational operations rather than a truly multinational elite.

Nor could it be said that the U.S. economic elite has really become continental in its composition, although it is clearly continental in its consequences. Among the U.S. born and resident members of the U.S. economic elite for whom data is available, 21 members sit on Canadian dominant corporations that are not U.S. affiliated companies. While this represents only a small part of the U.S. economic elite, because of Canada's smaller elite, it is of more consequence here. An additional 32 members of the U.S. economic elite sit on dominant Canadian subsidiaries of U.S. companies, while another 11 are on Canadian controlled companies that are not dominant, while 70 sit on the boards of non-dominant U.S. subsidiaries in Canada. Only 6 per cent of those whose main current affiliation is finance holds a Canadian post, as do 7 per cent in transportation/utilities. However, 8 per cent in manufacturing, 12 per cent in trade and 19⁴ per cent of those whose main current affiliation in resources holds a Canadian post.

By taking all of the members of the U.S. economic elite who were born in the U.S. and currently resident there, to minimize any spillover effects migration may have in these exchanges, it was found that 57 of the 1,894 members hold at least one dominant Canadian elite post. An additional 11 hold Canadian posts that are neither dominant nor U.S. subsidiaries and 70 more hold one that is not dominant but a subsidiary. Therefore, 7.3 per cent hold at least one Canadian post. Of the presidents of dominant U.S. companies, 11 per cent hold a Canadian post, while 13 per cent of the

chairmen, and 17 per cent of the vice-chairmen do so. To some extent, these personal continental ties by members of the U.S. economic elite also serve to bring them into contact with members of the Canadian economic elite who are serving as outside directors on these U.S. subsidiaries and, occasionally, in dominant Canadian controlled corporations.

Canadian Born in the U.S. Economic Elite

There are 2,007 members of the U.S. economic elite for whom biographical data was available from a total sample of 2,450 elite members (82 per cent). Of this, 17 Canadian born U.S. residents were found, with adequate biographical data for 15 (88 per cent).¹ In addition, there are 21 members of the U.S. elite who are Canadian born and resident in Canada and four additional Canadian residents, but born outside Canada (three in the U.S. and one in the U.K.). Only one of the Canadian residents is not simultaneously part of the Canadian economic elite (John Henry Graflund, born in Illinois and resident in Hamilton, Ontario, is president of John Deere Ltd., Hamilton, and a vice-president and director of Deere & Co., the U.S. parent). Overall, 40 Canadian born or resident individuals, for whom data could be found, are members of the U.S. economic elite. Therefore, only 2.0 per cent of the U.S. economic elite are tied to Canada either by birth or current residence. In terms of all those born outside the U.S. and currently holding a dominant position, Canada fares better than any other country. While 38 current members of the U.S. elite were born in Canada, the U.K. has 24 (and one of these migrated to Canada in his early twenties), Germany is next with 10 and all other countries combined have only 35. By current residence, Canada has over half of all the current U.S. elite resident outside the U.S. Canada's 25 are followed by 10 in the U.K. (three of these U.S. born) and only 14 elsewhere.

From the perspective of the Canadian elite, 3.1 per cent of the Canadian born and resident elite, or 3.2 per cent of the Canadian resident economic elite, hold dominant directorships in the U.S. Between them, the

¹ Since a few of those for whom data was not available may be Canadian born, only those for whom data is available will be compared.

Canadian resident members of the U.S. economic elite hold 32 dominant directorships in the U.S. and 87 in Canada. The Canadian born U.S. resident elite hold 23 dominant directorships in the U.S. Because of its smaller size and the extensive interlocks of the Canadian resident component of the U.S. elite, they hold 6 per cent of all dominant positions in Canada and, between them, the Canadian born or resident component of the U.S. elite holds 3 per cent of the dominant positions in the U.S.

Some members of the Canadian economic elite are also connected with the U.S. elite through advisory boards. For example, Ian David Sinclair, chairman of Canadian Pacific and a director of the Royal Bank, Sun Life, TransCanada Pipelines and MacMillan Bloedel in Canada also sits on the board of Union Carbide in the U.S. and is also on the advisory board of Chase Manhattan Bank. An interesting role was recently played by Beverley Matthews, who sits on the board of seven dominant Canadian companies and Gulf Oil in the U.S. Following political scandals among Gulf's executive, it was necessary to find a replacement. Eventually, Jerry McAfee, head of Gulf's Canadian subsidiary was recruited. "Two directors, Beverley Matthews, a Canadian lawyer and a friend of McAfee, and Nathan W. Pearson, who represents the Mellon family's interest in the company, asked if he would accept the job" (Fortune, February 1976:27).²

Because of the small numbers involved, it is difficult to do an aggregate analysis of the Canadian born U.S. resident component of the U.S. elite (however, a sample of Canadian born U.S. resident managers was drawn and will be analysed shortly). Of the 15 for whom data is available, 13 per cent (2) moved to the U.S. with their parents; 33 per cent (5) left Canada to attend university in the U.S.; 40 per cent (6) migrated themselves; there were only 13 per cent transfers (2). In only two cases (Frederick George Fusee, who left Canada as assistant general manager of Avon Products of Canada in 1956 to eventually become chairman of Avon Products and a director of Manufacturers Hanover and B.F. Goodrich, and John Kenneth Jamieson, who left Canada as vice-president of Imperial Oil

² Further examples of Canadian resident elites in the U.S. economic elite were provided in Chapter Six.

in 1959 to become chairman of Exxon and a director of the Chase Manhattan Bank, Equitable Life and INCO) have Canadians transferred from branch plants in Canada to elite positions within dominant U.S. corporations. These are impressive instances, to be sure, but that is what they remain, instances.

Among the other 13, there are several more impressive instances, although none are transfers from branch plants. For example, the president of Procter & Gamble is Canadian born, as is the president of CNA Financial, but both left Canada as children; there is a Canadian born chairman of Xerox (he is also a director of Citicorp), a vice-president of Inland Steel and another of Bendix, while others are directors of Occidental Petroleum, Shell Oil and Kaiser Aluminum, but they all left Canada for education in the U.S.; and finally, the president of Connecticut General Insurance (also a director of General Foods), the chairman of Union Oil (also a director of Rockwell International), the chairman of the executive committee at Consolidated Foods (and a member of the executive committee of General Dynamics) as well as directors of Chessie System, Traveller's Corporation and National Detroit Bank, all simply migrated from Canada to the U.S. Clearly, these are all prominent and powerful positions but between them the Canadian born U.S. resident members of the U.S. elite do not even hold as many dominant U.S. positions as the Canadian resident members of the U.S. elite. Because of Canada's smaller scale, the outflow of managerial talent has an importance within Canada but when translated into the size of the U.S., it is miniscule.

Several aspects of Canada's relationship with the U.S. are, nevertheless, revealed in personal exchanges with the Canadian born U.S. elite. To a man, the Canadian born members stressed that their Canadian birth was neither a handicap nor an advantage in their careers in the U.S. How many areas of the world would receive a similar response? Some of their comments are worth reproducing to get a sense of their experiences in the two countries. One consistent theme was their international flare and dislike of nationalism. This is evident in the following statement:

I was affiliated with a very large international [...] company and recognized that if you were offered an opportunity to expand beyond the local affiliate, it was a very challenging opportunity...I have no strong nationalistic feelings as I firmly believe that the strong nationalistic tendencies that are so evident in the world today are completely out of pace with the economic facts of the world.

One statement that summarizes the primary reasons for the pull to the U.S. that is also evident in the survey of managers to be discussed shortly is well articulated by an elite member who said:

One of the major factors affecting my decision to move to the United States was the fact that Canada had relatively few industries that were fully integrated from research and development through manufacturing and marketing. This was an important criteria for me in my career. Another factor was the question of size and, therefore, opportunity. American businesses tend to be much larger than Canadian firms, and on the whole, I felt this offered better opportunities. The third factor is related to risk and innovation. I felt that American businessmen generally were less conservative than Canadian and were willing to take greater risks with the hope, of course, of far greater profits.

Both of these quotations come from two men who experienced university in both Canada and the U.S. and continue to do business in both countries, so they have some basis for their comments. But each also conveys something of the ideology that permeates the elite. The first reflects an ideology of internationalism or, in different terms, an open climate for the operations of multinational corporations; the second an ideology of corporate capitalism, of large, highly integrated operations. In each, there is also reference to greater opportunities in the U.S. but they do not say that the structure of corporate capitalism expressed in multinational operations ensures that opportunities will be greater in the U. S. than in Canada.

In an obverse way, one member of the U.S. elite reflects the effect of branch plant structures; his training as an actuary led him eventually to migrate to the U.S., saying:

I made a comprehensive search for employment in my field and received very discouraging replies from possible employers. The position in my own company was an unhappy one because of absentee ownership in England. It seemed to me that the only way out of an unhappy situation was to seek employment elsewhere.

He then moved to the U.S. where branch plants are not a problem.

A further set of issues often mentioned are class barriers and ethnic tensions. Both of the next statements include elements of each.

Obviously, there is much more opportunity in the United States because the school tie is of little, if any, importance. Your opportunity for success depends upon your ability (and, of course, the breaks of life--being in the right place at the right time). I would say that there were more social barriers to succeeding in Canada at the time I left. I think this has diminished in Canada, except perhaps in Quebec.

Whether it is true or not, that there is 'little importance' for the 'school tie' in the U.S., this person obviously believed this to be the case. This same feeling is again articulated in this final quotation.

It appeared to me that the United States had a more fluid society, with greater opportunity for upward mobility--social and economic--than Canada offered at that time. Canadians were then attached to British class rigidities and emphasis upon birth and racial origin--prejudice from which American society was freer, and which I believed would be frustrating handicaps to an ambitious young man. I concluded that my progress in Canada would be slowed by the fact that I was not of British birth, origin or name.

While it is important to get a grasp of what these people are saying, it is also important to understand their place in society and the perspective they have as they look back over their careers. The one thing they all have in common is their position on the top of the U.S. class structure and because of their positions among some of the most powerful multinationals in the world, on the top of the international class structure. What they fail to see is the relationship between opportunities in the U.S. and the failure to develop the same advantages elsewhere. They fail to see, as one put it, that the reason why U.S. dominants are "fully integrated from research and development through manufacturing and marketing" is the same reason that Canada appears "conservative" in "risk and innovation." It is in large part because U.S. companies are so much larger than Canadian ones and because they have penetrated the Canadian economy with their largesse that it is, in fact, more 'risky' for Canadians to innovate. Finally, there is a failure on the part of any of these members of the elite to acknowledge the racism and class inequality within the U.S. itself when they make their

comparative statements. The previous analysis demonstrated that class origins, sex, race, region of birth and other ascribed characteristics continue to be important barriers to entry into the U.S. economic elite, and while these barriers continue to persist, there remains a powerful self selecting upper class in control. Nevertheless, in comparative terms, their perceptions of greater openings in the U.S. elite to those outside the upper class have been confirmed in the comparative study of the two elites.

II. Managerial Migration Between Canada and the United States

Economic Theories of Migration

There are a variety of theories developed to explain the relationships between economic development and the movement of people. P. George argues that, "Economic migration takes place when demographic pressures in one country are met by a corresponding readiness to receive population in another." He maintains that "numerical proportions are rigidly determined by the development requirements of the new country" (1970:40). Emphasis here is on the importance of selectivity by the receiving country where they establish the limits within which migration takes place and, similarly focuses on conditions within the country of origin which determine whether or not there will be factors stimulating emigration.

Scott takes a similar position, maintaining that the "phenomenon of business cycle in relation to migration indicates also that the causes of migration were located both in the country of origin and in the country of destination. Neither the push nor the pull function alone" (1968:10). The most noted proponent of this view is Brinley Thomas. He has, however, adjusted his view in light of recent developments occurring in the international economy during the post-1952 period. Briefly, his theory is that "viewed as an essential part of the process of economic expansion, migration, not only induces but is itself partly determined by changes in the structure of the international community." Built into this theory is the dynamic notion that as the structure of the economy changes, so too can changes of migration patterns be anticipated. His analysis is that 19th century migration followed a flow of capital from Europe to North America but over time the nature of this relationship changed as initial capital

expanded and became established and "ultimately migration dwindles, the direction of capital flow changes and the international economy has to adjust itself to a new set of conditions" (1973:30-31).

The important development, according to Thomas, which makes 1952 a bench mark is the change of direction of capital investment from the U.S. to Europe which stimulated economic growth within Europe and, with that, intracontinental migration within Europe and a different pattern of overseas migration. His revised position is that "international migration no longer plays the role in economic growth that it did in the nineteenth century. Legislative restrictions, the changes in the economic determinants, and the population upsurge in different parts of the world have all tended to reduce the scale of movement" (1966:297, 299). It is important to understand the essential difference Thomas argues exists between contemporary capital flows and migration and the patterns of earlier periods. He maintains that when "Britain was the world's largest exporter of capital, there were natural and synchronous flows of private capital, technical skills and unskilled labour from the advanced country to the then developing countries overseas" (250). This resulted in an increasingly closing 'gap' between the sending and receiving countries to the mutual benefit of each. However, "the question which now arises is whether, in the new setting, the free international flow of human capital continues to be an economic blessing to the sending as well as the receiving countries, as it was in the nineteenth century" (251).

Thomas now maintains "the international flow of skills is governed by the rate of growth in the richest sector" and not in developing areas thus perpetuating and reinforcing the gap rather than closing it (269). In an earlier phase, people tended to bring their capital with them to developing areas or bring their skills which could be used alongside capital from developed areas. Now capital tends to circulate independent of individual migration and the flow of skill is out of, rather than into, underdeveloped areas. "With the dice loaded in favour of the industrially advanced, the rate of economic growth in these countries exceeds that of the underdeveloped" (1958:16).

A further element of Thomas' theory, and one stressed by a number of

other authors, is the relationship between geographical and social mobility as it is affected by stratification. Drawing on the theory of 'non-competing groups' developed by Cairns, which maintained that there was competition within but not between groups, this theory was applied to international trade by Taussig. This theory sparked a debate between Sidgwick-Bastable-Edgewood over the postulate of 'perfect mobility' put forward by Bastable and Edgewood's response of 'two nations' or non-competing classes on lack of occupational mobility. The theory postulated that the "actual volume of emigration was governed not only by the driving force of the innovations but also by the degree of internal immobility in the 'old' country" (Thomas, 1973:25), suggesting that in a rigidly stratified society with low social mobility, there will be a stimulus for aspiringly mobile individuals to emigrate elsewhere where the structure is less restrictive.

On a related matter, Anthony Richmond's finding that the highest rates of return among migrants in Canada are highly qualified persons from the U.S. led him to propose the distinction between 'quasi-migrants' who stay for short terms and longer term or 'semi-permanent immigrants' (1967:124-125, 253-254). He found that only a minority of 'repatriates' were actually dissatisfied; "the largest proportions appear to be following an occupational career cycle in which the practical experience gained or the capital saved as migrants is a means of achieving upward social mobility" (244).

As corporations spread across political boundaries, at least for a select group of highly skilled migrants, there are fewer intervening factors to impede their search for upward mobility. Migration patterns increasingly become products of the ability by differently skilled individuals to operate in a wider market. That is, the market for highly skilled individuals is much wider than for low skilled and, along with recent immigration policies favouring these types, there is lower resistance to their movement. In addition, Thomas' point that the areas of greatest expansion and production are now able to command the greatest rewards is suggestive of inducements leading to a selective migration whereby movement is by a particular class of people from one area to another.

As the expansion of transportation and communications has occurred within and between nations in the post-war period, the market for highly qualified manpower becomes defined as international in scope. With expan-

sion in the scope of labour markets for highly skilled labour, the nation state, even if it is experiencing economic expansion relative to earlier periods, is now often part of this larger market within which opportunities may be greater than within the nation state itself. In other words, with expanded markets comparisons are made not only with the past, which may represent great gains, but also on a world wide basis within which the nation may be relatively lacking. Once a nation reaches a certain level of development, it may enter this world wide labour market for highly skilled labour and actually begin to experience a loss of manpower only after reaching this level. Prior to that, it may be 'isolated' from the wider market and, therefore, able to retain its skilled labour. Canada represents an example of expanding industrialization and increasing numbers of positions for highly qualified manpower but a nation which has exported large numbers of these people to the U.S., a more advanced industrial centre, while at the same time still importing manpower from abroad. Once again, Canada tends to act as a 'way station' or go-between, mediating between the U.S. and the rest of the world. Taiwan and Japan, two other expanding nations are also experiencing similar transfers to the U.S. (Van der Kroef, 1970:227-228). This suggests that the explanation for exporting highly qualified manpower does not lie solely in the development of the nation state but in its relative position in a world wide market.

Managerial Migration to Canada

Those in the managerial classification in the 1961 Census of Canada illustrate the dramatic transformation which has occurred in this category between pre- and post-war immigrants. Native born have 8.1 per cent in the managerial category while the overall pre-war immigrants have 12.7 per cent and post-war only 6.1 per cent. Directly counter to this, however, is the U.S. immigrant population in Canada which was 12.5 per cent managerial for pre-war immigrants but 20.8 per cent for post-war (Kalbach, 1970: 220). While the overall pre-war immigrants classified as managers had dropped by one half for post-war immigrants, U.S. managers took the exact opposite direction, almost doubling over the period. Kalbach says,

the proportion of post-war immigrants in managerial occupations was slightly more than one and a half times larger than the proportion of pre-war immigrants born in the United States rather than just half the size, as was the case for all origins. It may also be noted that those in managerial occupations constituted 20.8 per cent of all post-war immigrants born in the United States compared to only 6.1 per cent for all origins combined (1970:238).

This suggests that the continental character of managerial mobility has become much more pronounced in the post-war era for immigrants from the U.S. but cut in half for the overall immigrant population. Different forces are obviously affecting U.S. managerial mobility than operating on immigrants from other areas.

Why do managers move, and of what relevance are 'push-pull' factors? In the simplest terms, the theories surveyed suggest the prime reasons are either the need to move or the attractiveness of the destination. It will be recalled that the second factor was qualified by George to include selectivity by the immigration policies of the country of destination. It would seem that for managers, the first consideration is of less importance in accounting for post-war movements. A notable exception would, however, be the case of the Ugandan refugees into Canada in 1972. Of the 2,053 Ugandans entering the labour force, 437 or 21.3 per cent were classified as managerial. Although 'push' factors should not be ignored, in some cases, as a prime cause of managerial migration, it does not appear to be the sole explanation in most cases. This does not mean 'push' factors are not important in combination with 'pull' factors; indeed, the following analysis will maintain they are extremely important. Attractiveness, however, does seem to be the major dimension which warrants attention. George's concern about the selectivity of immigration policies would seem of less importance for managers because of their high occupational ranking. If anything, the designation manager is an asset in terms of selectivity by immigration policy.

Richmond's argument about the essential activeness of the population rather than its sedentary qualities would seem to hold for most managers (1968:42, 1969:245; also Petersen, 1970:53), but some qualifications need to be made here. Those managers attached to small businesses, particularly

local family firms, would probably have limited geographical mobility and especially low international mobility. Other managers, however, would be in a position of high mobility; whether this includes international mobility will depend on other factors to be raised shortly.

'Free' and 'Attached' Migration of Managers

It can be argued that earlier periods of managerial migration, particularly during periods of open competition in the entrepreneurial stage of capitalism, were characterized by 'free' migration. Free migration, as used here, means the individual moves independent of an organization, taking along managerial skills and frequently capital. As entrepreneurial capitalism gives way to corporate capitalism, managerial migration brings with it another connotation of intra-firm transfers which may take the person across an international boundary.³ Attached migration, as used here, means an intra-organizational transfer where the person is simply following a career path which leads across a boundary but within an organizational framework. More recent types of free migration would include an important element staying abroad in a nation where students receive their education (see Glazer, 1973). Also possible, but less frequent for managers, is the active recruitment by organizations cross-nationally (as occurs with university professors) but this is of lesser importance for managers.

³'Free' migration is, of course, subject to the constraints imposed by immigration laws, as stressed earlier. It is interesting to note, however, recent changes in the U.S. Immigration and Nationality Act. Carl Cuneo has noted that in 1970, that subparagraph 'L' was added to the act: "The 'L' Classification is for an alien who immediately prior to entry has been employed abroad for at least 1 year by a corporation or other legal entity, in an executive, managerial, or specialized knowledge capacity and who is seeking to enter the United States to continue such service with the same employer or an affiliate" (U.S. Department of Justice, 1970:8). Cuneo goes on to note that, "This amendment is extremely significant because it indicates that intra-company transfers were no longer considered 'normal' immigration. The political border recedes into the background as mobility within the multinational corporation...becomes much more important" ('The Controlled Entry of Canadian Managers to the United States,' International Journal of Comparative Sociology, XVII, 1977 (forthcoming)).

The transition from predominantly free to attached migration can be related to changing corporate structures, to differences between portfolio and direct investment and to training practices (as in the case of university students studying abroad). Thomas' discussion earlier on the changing nature of international capital is suggestive of the differences being alluded to here although he does not draw out the implications. For example, the dramatic shift from portfolio to direct investment as the major type of capital flow between nations has enormous effects in terms of the kind of migration patterns. As has been argued in more detail earlier, portfolio investment is interest-bearing capital which is loaned by capitalists in one country to capitalists in another. This means capital will be transferred but will be used by indigenous capitalists and does not bring with it foreign capitalists. Direct investment, on the other hand, involves an entire 'package' of capital, technology and management. This would promote the movement of managers internationally, as in the case of multinational corporations which are the major agent for carrying direct investment. Foreign direct investment means there will be corporate ties established across national boundaries. Managers may be migrants because of organizational ties, particularly in the age of multinational corporations. Parai says,

Often, the movement of some of these people is from one branch plant to another, and such movements are at times a necessary part of the training and organization of the particular firms. In so far as this is true, the movements of such personnel are essentially a matter of company planning and policy, rather than one of migration motivated by economic factors (1965:93).

This is an important observation and leads the analysis to an examination of the social structure and the structured international ties which may lead to and promote migration. There is another dimension of managerial migration related to multinational corporations which will be examined shortly but is related to Parai's remark about company policy. An important question is whether the multinational recruits its managers from within the parent organization or from within the society where the branch plant is located. Aside from the implications for indigenous social mobility, it will determine the nature of international managerial migration. If, for

example, the company uses managers from within the parent, this means movement will be from the parent to the branch plant, thus the movement would be primarily from the U.S. to Canada. If, however, the company recruits its managers from within the branch plant society, this means low migration of managers, unless the parent in turn recruits its managers for the parent operation from within branch plants. This could mean Canadian managers, after being recruited within Canada, may then be transferred to the United States thus leaving a stream of managers moving from Canada to the U.S. Company policy in this respect is important for explaining developments in terms of the migration of managers, whether it will occur and, if it does occur, in what direction.

Thomas' theory of "non-competing" groups introduced earlier has particular importance for Canada. Social mobility may be closed to some groups but not to others and this will affect their migration patterns.

Managerial Migration Between Canada and the U.S.

Managerial migration into Canada must be seen within the context of social mobility avenues for indigenous Canadians. If there is a large influx of managers into Canada through multinational corporations, there will not be recruitment of indigenous Canadians to these positions, thus cutting off a potential mobility avenue. Should this be regarded as advantageous to Canadians? This is a problem not easily resolved. Some would argue that it is necessary and beneficial to overall economic development to bring managerial talent from outside because the required skills are not available in Canada. Others would argue the necessary manpower is present in Canada or, at the minimum, could be readily developed through the educational system thus providing mobility for indigenous Canadians. Before addressing this dilemma, a brief overview of recent managerial migration between Canada and the U.S. will be presented.

The following table provides the actual flows between the two countries for managers. The period between 1961 and 1971 captures an important shift in the two-way flow. While in the pre-1965 period Canada had a net overall loss of managers to the U.S., since then it has had an overall gain. There has been a reversal in the net flow pattern between Canada and the U.S. Although there is a net loss of 1,738 over the period, Canada

has been gaining toward the end. For example, while there were twice as many managers moving from Canada to the U.S. in 1960, by 1971 there were only half as many. The final column places the Canadian flow of managers to the U.S. within the context of the overall inflow of managers to Canada.

TABLE FORTY-TWO
Managerial Migration Between Canada and the U.S.,
Year Ends 1961-1971

	From Canada to U.S.	From U.S. to Canada	Difference (Can - U.S.)	Can. as % of U.S.	Can. to U.S. as % of all Managers to Canada
	(1)	(2)	(2 - 1)	(1/2)	(3)
1960	1,138	550	-588	206.9	137.9
1961	1,122	622	-500	180.4	125.2
1962	1,107	626	-481	176.8	98.7
1963	1,264	608	-656	207.9	109.1
1964	1,340	655	-685	204.6	110.6
1965	1,282	887	-395	144.5	74.2
1966	812	973	161	83.5	35.4
1967	1,028	962	-66	106.9	34.0
1968	938	796	-142	117.8	39.3
1969	658	956	298	68.8	25.6
1970	675	1,194	519	56.5	21.8
1971	690	1,487	797	46.4	19.9
1960-71	12,054	10,316	-1,738	116.9	50.8

(Sources: U.S. Department of Justice. Immigration and Naturalization Services. Immigrant Aliens Admitted to the U.S. Whose Last Residence was Canada by Occupation for Years Ending June 30, 1960-1972. Canadian Statistical Review, History Summary 1970, Information Canada, 1972; Quarterly Immigration Bulletin, December 1972, Department of Manpower and Immigration; Immigration Statistics, various years 1960 to 1971, Department of Manpower and Immigration.)

Prior to 1965, there were more Canadian managers moving to the U.S. than the overall inflow of managers moving to Canada. By 1971, the Canadian outflow to the U.S. was only 20 per cent of the entire intake of managers to Canada.

These findings can be interpreted in two ways, depending on the perspective taken. One interpretation is that the reversal of flow experienced since the mid-1960s means there will be more managers in Canada, thus representing an overall upgrading in the occupational composition of the Can-

adian labour force. In other words, Canada benefits because there are more managers in Canada than in the earlier period when an overall loss of managerial talent was experienced. The alternative interpretation is that the increasing inflow of managers from outside and the reduction in exits from the country means indigenous talents will be blocked from attaining managerial occupations. When there is low intake and high outflow, the conditions are ripe for upward mobility by Canadians. However, when the intake is high and outflow low, indigenous Canadians are blocked into a low mobility situation. If there were an overall expansion of the proportion of managerial occupations within Canada, this would counteract the second argument since, with expansion, there would be ample opportunities. However, there has only been a 0.8 per cent increase in the proportion of the Canadian labour force classified as managerial over the past decade.

Before immigration data can answer the important questions about movements of managers, much better data are needed which would enable distinctions between various types and levels of management; comparisons of flows between Canada and the U.S. would require not only standardization of definitions, but refinements of the definitions themselves; and finally, the question of how long managers stay once they have migrated requires more detailed data collection.⁴

The following analysis of U.S. resident Canadian born managers will provide some greater insight into the characteristics of these migrants and avoid many of the drawbacks in the immigration data.

Canadian Born U.S. Resident Managers

Given the numerous problems using immigration statistics to understand the flow of managers, it was necessary to gather original data that would address this issue. The following survey is based on a set of Canadian born, U.S. resident managers.⁵ All but two of the 302 cases for which data are available can be readily categorized into four basic types of Canadian

⁴For an elaboration of problems involved in using immigration statistics, see Appendix XIII.

⁵For the methods and sources used in this survey of managers, see Appendix XIV, Procedures Used in the Canadian Born U.S. Resident Managers Survey.

born U.S. resident managers. These four types provide distinct analytical categories reflecting different patterns of migration and each is sufficiently large to provide the number of cases needed for more refined analysis. The first are those who migrated as youths with their parents (41 per cent) and the main analysis of this type focuses on their parents and the reasons for their movement. Second are those who decided to move to the U.S. for university (14 per cent) and have taken up residence there. Third are migrants who simply moved to the U.S. on their own after they entered the labour force (24 per cent). The final type is the product of continental corporations and branch plant economies, those who have been transferred to the U.S. within an organization spanning both Canada and the U.S. (21 per cent). Only about 45 per cent of this sample would likely have been detected by immigration statistics as managerial migrants from Canada to the U.S. While the transfers most likely would have been detected, not all the self migrants would have been, and it is unlikely that many of those who remained after university in the U.S. would be classified by immigration statistics as managerial migrants. Certainly those moving with their parents would not be, although some of their father's would have been.

Before proceeding with the analysis, some general sense of the types of people in each of these four categories is necessary. For those who moved with their parents, the main question is why did the parents move? Of the respondents, 38 per cent indicated their parents were either unemployed in Canada or lacked opportunities, the single most frequent answer given. An additional 18 per cent were returning to the U.S., and 11 per cent of the parents were transferred to the U.S. while an additional 4 per cent gave either setting up a business in the U.S. or health reasons. It is interesting that 51 per cent of those who moved with their parents from Ontario said their parents moved because of lack of opportunity or unemployment, while another 27 per cent were either transferred or returned home to the U.S. In one case, the father was a business executive who was transferred when the son was five; later the son returned to attend McGill University (B. Comm.) and returned to the U.S. after university because he felt the U.S. had a "more open and competitive business climate" with "greater opportunity." This is unusual, only because the son returned to Canada after leaving as a youth. It is not unusual in the sense that

there are a substantial number of sons of U.S. businessmen whose fathers were operating U.S. companies in Canada when they were born and later returned to the U.S., often even without their parents, and especially to attend university. The attitude, as frequently expressed, is "U.S. citizen by parentage--only Canadian by birth." This suggests that many remain a part of U.S. society even though they were born in Canada. The following is an interesting illustration of movement to the U.S. with parents:

My father wanted to be an engineer and specifically wanted to help design and build printing presses. Advances were beginning to be made in two color printing and he felt the opportunity in Canada in his particular field did not exist. He therefore secured a position with a printing press company in the United States.

While in the States, doing work he loved--designing printing presses--he was asked by his father, who was sick, to come back to Montreal to help with the family business. He did go back and while there, I was born in Montreal. When grandpa got well and the business was doing well he left Canada, again, to come to the United States to resume his work.

Later the respondent founded his own textile business and continues to live in the U.S.

Most of those going to the U.S. for education, and remaining there, joined U.S. companies after university, but not all. For example, one respondent, whose father was a manufacturer, went to Queen's University, then on to Harvard Business School. He was hired by a Canadian financial company to work in the U.S. and stayed with them for thirteen years, then moved to a U.S. financial company. He liked the climate and territory of New England, the "open opportunities" and "no prejudices." With a Harvard MBA, he was equally at home in Canada or the U.S. As was suggested earlier, not all those coming to the U.S. for education and staying were without prior contacts in the U.S. For example, one person, born in Montreal to U.S. parents (his father headed a U.S. branch plant), attended Lower Canada College and, when it was time to go to university, went to Princeton, returning briefly to Canada but then back to the U.S. with a Canadian born wife, but not his parents, to found his own manufacturing company. He says he was "castigated" by schoolmates in Montreal because of "American parents." He continues to have social, family and business

contacts in Canada and knows some Canadian businessmen socially in the U.S.

Those who simply migrated to the U.S. are generally what are thought of as migrants; those who simply pick up and leave to find a job in the U.S. In some cases, however, there is a slight overlap with other categories, like the respondent who says, "At the time I came to New York, and it is now 20 years ago, I planned to do graduate work in Security Analysis while doing investment work. To my knowledge, there were then no comparable training facilities in Canada nor was the practice of investment analysis on an adequate level." While he was classified as a migrant, it is clear that he had some intention of going to the U.S. to further his education as well as work. More typical would be the large number of actuaries who were trained in Canada in the early 1950s and found the market glutted while U.S. demand was high in the insurance business, therefore, moving to the U.S. in search of a job.

Of those transferred, only 16 per cent are associated with Canadian controlled companies. There is one additional person associated with a joint Canada-U.S. venture and single cases of each of the other types (with parents, self migrants, and to university) associated with Canadian controlled companies. Of the ten Canadian born who have transferred to the U.S. in Canadian controlled companies, three are in manufacturing, four in finance and three in resources. Of this same group, 70 per cent were born in Ontario or British Columbia. Of those transferred in U.S. controlled companies, 92 per cent were born in Quebec, Ontario, Saskatchewan or Manitoba. Of those in Canadian controlled companies, 90 per cent are Anglo by ethnicity and only one French, while in the U.S. controlled companies, 88 per cent are Anglo and 11 per cent third ethnic or of mixed ethnicity. The one case of a French Canadian being transferred involves a son who went to the U.S. to a branch operation of his father's company, but while he was there, the firm was sold and he has stayed on under the new owners as a vice-president. He has never actually held a job in Canada and remained in the U.S. since leaving university after World War Two. Another respondent went to university in Canada and on to Harvard for an MBA, returning to Canada to work for a Canadian bank. He was then transferred to the U.S. Recently, he resigned rather than be transferred back to Canada because of

lower costs and the climate. He says he is "better off financially on a \$30,000 salary here [California] than \$50,000 in Toronto at [the] present time." Likely the most involved case of a transfer involves a man of middle class origin (his father was a minister) who received a commerce degree in Canada, was transferred to the U.S. by a Canadian company, changed to a U.S. company three years later, was moved back to Canada for six more years and finally returned to the U.S. to establish his own company in the finance field where he has become the president and major stockholder. The most common pattern among the transfer group was concisely stated by one of the respondents who said, "If one works for an American company subsidiary in Canada, it is often necessary to move to the U.S. to have continuing advancement." These four basic types—those who moved with their parents, those who went to university and stayed, those who migrated themselves and those who transferred—will serve as the basic subgroups for the remainder of the analysis.

The starting point is an examination of where these migrants left from in Canada; that is, their province of birth. The following table compares their birthplace for each of the types with the population distribution of 1926, the mean year of the entire group's birth.

TABLE FORTY-THREE

Region of Birth of Canadian Born U.S. Resident Managers

PROVINCE	With Parents	To University	Self Migrant	Transfer	All	Population 1926	Birthplace of Canadian Elite
Maritimes	14%	12%	7%	2%	9%	13%	9%
Quebec	12%	17%	17%	24%	17%	27%	20%
Ontario	33%	29%	48%	39%	37%	33%	48%
Sask/Man.	18%	14%	16%	21%	17%	15%	12%
Alberta	13%	14%	4%	7%	10%	6%	6%
B.C.	11%	14%	9%	8%	10%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%
(N)	(125)	(42)	(71)	(62)	(302)		

Compared to the population distribution, British Columbia is the most over-represented in terms of the birthplace, particularly for those going to the U.S. for university and staying, followed by those leaving with their parents. The same pattern is apparent in Alberta, the second most over

represented. In Alberta, of those leaving for education, half did so in the 1930s. However, Alberta is actually under represented in the self migrant type. Ontario and Saskatchewan/Manitoba are also both over represented but both are under represented in those who left for university. Quebec is the most under represented and does not reach its proportion of the population in any of the four types, while the Maritimes are under represented in all types except those leaving with their parents. In Quebec, the birthplace of 17 per cent who migrated themselves compared to its 27 per cent of the population, two thirds of these left after 1950. The pattern in Quebec, as will soon be seen, is complicated by the ethnic factor. Only two of the 15 transferred from Quebec are French, so the non-French transfers from Quebec are actually high and resemble more closely the Ontario pattern of high transfers. There are only a minimum of transfers from the Maritime provinces, reflecting lower levels of economic activity there, but in terms of those leaving with their parents or for university, they are very close to the population distribution. Those leaving with their parents from Ontario and Alberta tended to do so somewhat later than in the other provinces; 30 per cent of each left after 1930 compared to only 12 per cent from the other provinces. Only 6 per cent of those transferred left before 1941, and all were born in Ontario. Ontario also supplied half of those transferred in the 1950s but was matched by Quebec in the 1960s when about 30 per cent of those born in each of these provinces were transferred.

Compared to the birthplace of the elite, managerial migrants are much more western oriented (37 per cent) than the elite (24 per cent) and much less Ontario centred than the elite. As was illustrated in the elite analysis of regionalism, those in Ontario were the most likely to remain in their province of birth.

Where do each of these types end up when they move to the U.S.? The following table divides them into four major regions of the U.S. by residence and compares them to the U.S. population for 1973. It is evident that those living in the Northeast region are over represented in all types compared to the U.S. population distribution (although very similar to the U.S. elite), while the South is under represented for all types. The closest to the population distribution is the North Central region but it tends

to be over represented in the transfers, especially for the youngest, 41 per cent of whom live there. The West is over represented in those moving with their parents and those migrating for university, especially for the group born in 1926 or later, of whom 43 per cent live in the West. This reflects the fact that these two groups are the highest represented in Canada West by birth.

TABLE FORTY-FOUR

Region of Residence in the U.S. for Canadian Born Managers

U.S. RESIDENCE	With Parents	To University	Self Migrant	Transfer	All Population 1973		Res. of U.S. Elite
Northeast	41%	38%	44%	48%	42%	26%	45%
North Central	26%	26%	24%	32%	27%	28%	28%
South	6%	7%	14%	3%	8%	29%	12%
West	28%	29%	18%	16%	23%	18%	14%
Total (N)	100% (125)	100% (42)	100% (71)	100% (62)	100% (302)	100%	100%

Relating the residence in the U.S. to the provinces of birth, strong north-south ties are evident. For example, in the movement of parents, 71 per cent of those from the Maritimes went to the Northeast and an additional 18 per cent to the North Central region; 80 per cent from Quebec went to the Northeast; 76 per cent from Ontario went to the Northeast or North Central; 56 per cent from Alberta and 57 per cent from B.C. went to the West. The most dispersed are those from Saskatchewan and Manitoba, where 27 per cent went to the Northeast, 36 per cent to North Central and 32 per cent to the West. North-south ties are also evident in those migrating themselves with 100 per cent from the Maritimes and 58 per cent from Quebec to the Northeast; 71 per cent from Ontario to the Northeast or North Central regions; 55 per cent from Saskatchewan and Manitoba to the North Central and 50 per cent from British Columbia to the West. Of those transferred from Ontario, 92 per cent end up in the Northeast or North Central regions. Generally, those from central and eastern Canada tend to go to the Northeast and North Central regions adjacent to the province of birth while western born Canadians tend to go to the Western region of the U.S. and the Southern U.S. is consistently avoided by all types, with only self migrants reaching

even half the proportion of the U.S. population, and only then because some of them have retired in Florida and run businesses on the side. The fact that only 3 per cent of the transfers reside in the South reflects the low level of industrialization there and is consistent for findings on the U.S. economic elite presented earlier, except the managers avoid the South even more than the U.S. elite.

As with virtually all top economic positions, women are conspicuous by their absence. In this sample of 302 Canadian born U.S. residents, there are only two women (0.7 per cent) but this is almost the same proportion in either the Canadian or U.S. economic elites. One of each moved with her parents and transferred to the U.S. for education. The country of origin of the wives of these managers follows a pattern similar to their careers. Of those moving with their parents, 78 per cent have wives from the U.S. and only 6 per cent from Canada (the remainder are from elsewhere or unmarried). For those leaving for university in the U.S., 52 per cent have wives from the U.S. and 33 per cent from Canada. This is reversed for the self migrants where 59 per cent have wives from Canada and 38 per cent from the U.S., and for those transferred, reflecting their later leaving, 74 per cent have wives from Canada and 16 per cent from the U.S. A similar pattern is evident in citizenship, with 65 per cent of those transferred remaining Canadian citizens, compared to 34 per cent of the self migrants, 14 per cent of those going for university and only 2 per cent of those leaving with their parents.

It is interesting that of those who transferred, 10 per cent had been temporarily resident in the U.S. earlier for schooling, and another 20 per cent were temporary residents there for other reasons. Thus, about 30 per cent of the transfers had some preliminary 'taste' of the U.S. before moving there. Similarly, 14 per cent of the self migrants had been temporarily resident there earlier.

What reasons do these people give for migrating? Not one said being Canadian born was a drawback in the U.S. In fact, 20 per cent of those moving with their parents, going to the U.S. for university or transferred, thought it was an asset. Among those who moved themselves, 37 per cent felt Canadian birth was an asset in the U.S., particularly the youngest group, where 56 per cent thought it an asset. Therefore, one factor in

their migration is that they find few, if any, barriers in the U.S. because of their Canadian birth. But this is not a reason for moving. The respondents were asked to supply general and specific reasons why Canadians migrate to the U.S., without any possible reasons being suggested to them. Since the reasons of those moving with their parents are obvious enough, and since they usually cannot speak in comparative terms, they are left off the following table.

TABLE FORTY-FIVE
Reasons for Migrating to the U.S.
Given by Canadian Born Managers

	(Percentage mentioning specific reasons)		
	To University	Self Migrant	Transfer
Greater opportunity	90%	77%	73%
More money	56%	52%	44%
Life style	41%	25%	29%
Negative reasons in Canada	31%	25%	10%
U.S. more meritocratic	23%	15%	17%
Skill outlet	26%	23%	5%
Larger market	13%	17%	10%
Job offer	10%	12%	14%

A typical response offered by Canadian born U.S. resident managers was that, "I didn't leave Canada because I felt there were any barriers to success but simply because I felt opportunities at the time were much greater in the United States." Generally, this was the tone of most of the responses although about a third of those leaving Canada to attend university in the U.S. suggested negative reasons in Canada, as did a quarter of those who migrated themselves, compared to only 10 per cent of those transferred. But overall, the answers simply reflect a general feeling of more, bigger, better opportunities. Of course, this is to be expected given that these people have moved to the U.S. and stayed there.

The following table summarizes their answers to questions asking whether there were "any 'barriers' to your succeeding in Canada" and if "you think you stood a better chance in the United States than in Canada of attaining your present position."

TABLE FORTY-SIX

Barriers in Canada and Better Chance in the U.S.

	(Per Cent 'Yes')		
	To University	Self Migrant	Transfer
Barriers in Canada	63%	45%	30%
Better Chance in the U.S.	93%	88%	80%

As in the previous table, those who went to the U.S. for university and did not return to Canada are more likely to identify barriers in Canada with this declining for the self migrants and with less than half as many of the transfers identifying barriers in Canada. The same trend is evident in those saying they felt they had a better chance in the U.S. but there is a fairly major difference between the responses to the barriers in Canada question and the better chance in the U.S. question, suggesting that attraction to the U.S. still has an important place. The responses of the transfer group are consistent with their structural position in multinational corporations. Relatively few identify barriers in Canada simply because they had to 'make it' in Canada before being transferred to the U.S. On the other hand, given the movement from branch plants to parent corporations, they had a better chance to go further in the U.S. than in Canada.

When the question of barriers in Canada is broken down by province of birth, some interesting differences emerge.

TABLE FORTY-SEVEN

Barriers in Canada by Region of Birth

	(Per cent 'Yes')		
	To University	Self Migrant	Transfer
Maritimes	60%	40%	100%
Quebec	86%	58%	42%
Ontario	30%	44%	29%
Saskatchewan/Manitoba	83%	36%	27%
Alberta	75%	33%	25%
British Columbia	63%	45%	30%
All	63%	45%	30%

Immediately apparent are some major differences by province of birth in terms of perceived barriers in Canada. In the Maritimes and Quebec, there are consistently higher proportions who list barriers, particularly the group who transferred from the Maritimes and those who left Quebec to go to university in the U.S. The barriers in Quebec tend to be ethnic and those in the Maritimes economic. Those who left the three Prairie provinces to attend university in the U.S. also suggest barriers while few of this type from Ontario suggest barriers. The implication is that those who left from Ontario to attend university in the U.S. were drawn more by the pull of university education while those in other provinces may have been 'pushed.'

One further dimension of the barriers question reveals a marked difference by ethnicity, as the following table suggests.

TABLE FORTY-EIGHT

Barriers in Canada by Ethnic Origin (Self Reported)

	(Per cent 'Yes')		
	To University	Self Migrant	Transfer
British Isles	57%	43%	29%
Other	73%	64%	50%

For each of the three types, the other ethnic group (which includes all those not reporting British Isles) reports greater barriers than do those whose ethnic origin is in the British Isles. This includes 16 percentage points more of those going to university and 21 percentage points more of both the self migrants and transfers. In terms of whether they thought they had a better chance in the U.S., there was no difference by ethnicity for those leaving for university (with 92 per cent of the British Isles and 93 per cent of the others) but there are differences for the two other types. While 90 per cent of the British Isles' self migrants thought they stood a better chance in the U.S., only 80 per cent of the other group responded this way; for the transfer group this reverses with 79 per cent of the British Isles and 100 per cent of the others. The bitterness of one respondent was reflected in his statement that "Corporate access was very limited in Canada to minorities. CPR, CNR, Sun Life, etc., etc. were closed Anglo-Saxon clubs."

The following table gives a more detailed breakdown of the ethnicity categories.

TABLE FORTY-NINE
Ethnic Origins of Canadian Born

	U.S. Resident Managers				
	With Parents	To University	Self Migrant	Transfer	All
British Isles	66.7%	64.3%	84.1%	88.3%	75.0%
French	3.3%	4.8%	---	3.3%	2.7%
Other	17.1%	28.6%	14.5%	5.0%	15.5%
American	4.9%	---	---	---	2.0%
Mixed	8.1%	2.4%	1.4%	3.3%	4.7%
Total	100%	100%	100%	100%	100%
N	123	42	69	60	294

Although there are only eight French among the U.S. resident managers, seven of these moved from Quebec to the Northeast region of the U.S. The 'other' ethnics tend to go to the North Central region and the British Isles to the Northeast. In terms of comparing the ethnic origins of these managers to the Canadian population, it is clear that the British Isles group is over represented since its proportion of the Canadian population has ranged between 52 and 45 per cent of the population between 1931 and 1971, but it has consistently higher representation among all the four types. Similarly, the French are clearly under represented in terms of their 28 to 29 per cent of the population over the same period. Only in one area is there anything approaching ethnic representation and that is the proportion of 'other' ethnics leaving Canada to attend university in the U.S. In this category alone do they surpass their 20 to 27 per cent of the population in Canada between 1931 and 1971. This warrants closer examination which shows that 58 per cent of the 'other' ethnics going to the U.S. for education left in 1951 or later compared to 29 per cent of the British Isles group. One half were born in 1926 or later, compared to a quarter of the British Isles leaving for university. Moreover, 58 per cent of the 'other' ethnics going to the U.S. for education left from the West with only one from Quebec and none from the Maritimes. This pattern for 'other' ethnics is evident in other types as well; for example, two thirds of the 'other' ethnics who migrated with their parents came from provinces west of Ontario.

Six of the respondents identified themselves as 'American' and all of these returned to the U.S. with their parents prior to 1930. Also, 14 respondents gave 'mixed' ethnic origins, with five saying half British Isles and half French, five saying half British Isles and half other, and four saying half French and half other. Of the 14 'mixed' ethnics, ten moved to the U.S. with their parents.

The British Isles ethnics are most highly congregated in the transfer group, with 57 per cent of them leaving Canada in 1961 or later, and an additional 25 per cent transferred during the 1950s. This suggests that as the pattern of branch plant migrations or 'attached' migrations takes hold, there is not to be expected any great opening for those outside the dominant Anglo group. Indeed, only three per cent of the transfers are French and only five per cent 'other' ethnic. Nor are there a great many openings among those who migrate themselves and become managers within the U.S., although the 'other' ethnics have fared somewhat better than the French within this type. Earlier it was suggested that those outside of Ontario may have been 'pushed' to the U.S. for education; these findings suggest that it is primarily the 'other' ethnic group that is finding it difficult to attend university in Canada and, instead, are migrating to the U.S. and staying there after completion.

As would be expected, there are considerable variations in the educational patterns of the four types of migrants. Only two people who went to the U.S. with their parents went to university in Canada, both temporarily returning to Canada to attend McGill University. Of those who went to the U.S. for university and stayed, 60 per cent went to the U.S. for their first degree; 54 per cent of this group received graduate degrees from Harvard. Among this group, 24 per cent specialized in science, 12 per cent in engineering and 44 per cent in commerce; thus, these three specializations account for 80 per cent of all those going to the U.S. for education and staying. In addition, 13 per cent of those transferred had received commerce training in the U.S. prior to being transferred.

Among those who migrated themselves, only 17 per cent had not attended university in Canada. Of those leaving from Quebec, 58 per cent had attended McGill University, while 50 per cent of those leaving from Ontario had attended the University of Toronto, and an additional 6 per cent going to

McGill and 21 per cent more going to another 'name' university (University of British Columbia, McMaster University, University of Western Ontario, Queen's University or the University of Manitoba).

Of those migrating themselves, 17 per cent were trained in science (with three quarters of these from Ontario) and 15 per cent were engineers (half from Ontario) and another 29 per cent were trained in commerce with these coming from all areas except the Maritimes. Similarly, 10 per cent of those transferred were trained in science, 18 per cent engineers and a third trained in commerce. Only 15 per cent of the transfers had not attended university and 67 per cent of those from Quebec attended McGill (all from Quebec went to university). Education obviously is an important key to entering the continental migration stream with those going to the U.S. for university obviously oriented to education but even among the transfers, 85 per cent were university educated as were 83 per cent of the self migrants.

There is a marked increase in the proportion of the current managers' education compared to their fathers, although their fathers were also well educated compared to the rest of the population. As the following table illustrates, there are some important differences between the four types on fathers' education.

TABLE FIFTY
Fathers' Education of Canadian Born
U.S. Resident Managers

Level of Fathers' Education	With Parents	To University	Self Migrants	Transfer
Public school	28%	24%	36%	29%
High school	39%	53%	42%	33%
University	33%	24%	22%	39%
Total	100%	100%	100%	100%
(N)	(107)	(38)	(55)	(52)

Those who transferred and those who moved with their parents tend to have the best educated fathers, but on the other hand, those who went to the U.S. for university have the lowest percentage of fathers with only public school education and over half have high school education. This suggests

that some of the fathers in the group going to the U.S. for university may have experienced educational barriers in Canada and their sons were avoiding these barriers by going to the U.S. Half of those who migrated as youths with their parents, and of those whose fathers were corporate officials, also had fathers who attended university but only a third of those who migrated to the U.S. for education and 17 per cent of those who migrated themselves had fathers who were corporate officials and attended university. Thus, it appears that the fathers of those who migrated themselves and especially those who went for university had educational barriers in Canada, even if they eventually became corporate officials.

In terms of the managers themselves, 15 per cent of those who attended school in Canada and moved with their parents attended private school in Canada, as did 18 per cent of those who went for university, 14 per cent of those who migrated themselves and 11 per cent of those transferred. This is considerably lower than the 41 per cent of the Canadian economic elite with private school education and reflects the differences in social class origins of the elite compared to these managers.

A few points should be made concerning the quality of data used to determine class origins. In the elite studies of the earlier chapters, the data were drawn from biographical sources and there is very high confidence based on this method in terms of those of upper class origin, but more conjectural on distinctions between middle class and working class. The survey data, which this study of managers is based on, are stronger on distinctions within and between middle and working class origins but there is less confidence here than in the biographical studies for upper class origins.⁶

Compared to the Canadian economic elite, the entire group tends to be less upper class in origin and more working class in origin. The middle class origin is higher among the self migrants and transfers than for the

⁶ There is an interesting difference in the response rate of the different types on the class origin question. Between 7.0 and 7.2 per cent of those who moved with their parents, moved to the U.S. for education or migrated themselves, refused to provide their father's occupation, but 16.1 per cent of those transferred refused this information. Since all the first three types have been in the U.S. much longer than the transfers, this suggests that there is more openness in the U.S. about revealing family backgrounds than among Canadian businessmen.

elite while those moving with their parents have the same proportion from the middle class and those going to the U.S. for university only slightly lower than the elite. Compared to the population falling into each of these social classes⁷ even these managers are privileged in their origins. Of the population 'at risk' in Canada (that is, of a similar age and male), only about 2 per cent are upper class while even the self migrants, the lowest by social class origin of the four types, have over a third of its members from the upper class.⁸

TABLE FIFTY-ONE
Social Class Origin of Canadian Born
U.S. Resident Managers

	With Parents	To University	Self Migrant	Transfer	Canadian Economic Elite
Upper class	39%	44%	34%	37%	61%*
Middle class	35%	31%	47%	46%	33%
Working class	27%	26%	19%	17%	6%
Total	100%	100%	100%	100%	100%
(N)	(116)	(39)	(68)	(59)	(686)

*The conditions to meet 'upper class' in the Canadian economic elite are actually more rigorous than for the managerial migrants but it is evident that the elite is more heavily drawn from the upper class than are managers (see Chapter Seven).

Additional analysis indicates that 40 per cent of those who moved with their parents and had fathers who were corporate officials were born in Ontario, with an additional 23 per cent from Alberta while all other areas

⁷ The definition of upper class in the economic elite study is somewhat more rigorous than the one used in the managerial study because only executives of substantial businesses were included in the elite study (along with other criteria like being in an elite in a prior generation) while in the managerial study it was not possible to follow up on the size of companies where the fathers were officials. With this difference, the managers are even less likely to be upper class in the terms used in the elite today.

⁸ For an alternative method of identifying class of origin, see Appendix XV, Two Methods of Determining Class Origins of Managers.

were under represented. This suggests that for the parental generation the transfer types were most prominent in Ontario, reflecting the high degree of branch plant activity there, as demonstrated historically. Half of those who moved themselves and had fathers who were corporate officials were also born in Ontario. But of those who were transferred and had fathers who were corporate officials, 67 per cent were born in Quebec.

As would be expected, there are different perceptions of barriers to success as identified earlier in Canada by class origin. This is reflected in the following table.

TABLE FIFTY-TWO
Barriers in Canada by Class Origin
of Canadian Born U.S. Resident Managers

	To University	Self Migrant	Transfer
	(Per Cent 'Yes')		
Upper class	44%	39%	30%
Middle class	91%	38%	31%
Working class	<u>63%</u>	<u>69%</u>	<u>22%</u>
All	63%	44%	29%

The different overall pattern between the three types has already been discussed. While there is a general trend here for those outside upper class origins to perceive barriers in Canada and less likely for the upper class, the transfer types tend to be the least likely in all classes, suggesting that once they have 'made it' in Canada, class origins have less of an impact. Still, the upper class origins are least likely to perceive barriers in Canada. Of the self migrants, those from the middle class are least likely to perceive barriers but seven tenths of those from working class origins saw barriers in Canada. In the group who left for university in the U.S., the middle class is most likely to perceive barriers. One man of working class origin, whose father was a tradesman, was able to become a chartered accountant in Canada but found advancement slow so he left for the U.S., saying, "The caste system was less prevalent in the U.S." While the terminology may be wrong, the sense is still there.

Looked at somewhat differently, of those who migrated themselves to the U.S., only 4 per cent from the upper class mentioned skill outlets as

important while it was mentioned by 23 per cent from the middle class and 46 per cent of those from working class origins. This suggests that even with skills, those of working class origin in Canada found difficulty in securing the kind of employment they wanted within Canada, while the upper class did not have this problem and left for other reasons.

The final aspects of Canadian born U.S. resident managers concerns the kinds of contacts they had before moving to the U.S., contacts maintained back in Canada and contacts they have with other Canadian born businessmen now also resident in the U.S. This data provides some idea of the kind of continental social, family and business contacts among this mobile stratum of the business world.

TABLE FIFTY-THREE
Canadian Born Managers' Contacts
in the U.S. Before Moving

	(Per cent 'Yes')			
	With Parents	To University	Self Migrants	Transfer
General contacts	49%	61%	59%	94%
Social	2%	24%	17%	36%
Family	50%	29%	27%	21%
Business (own company)	--	2%	10%	81%
Other business	1%	7%	21%	37%

As would be expected, nearly all of the transfers had some contact in the U.S. before they moved there and 81 per cent had contacts prior to moving with their own company. However, over a third of the transfers also had social contacts and other business contacts before moving and 21 per cent had family contacts. It is also to be expected that virtually none of those moving with their parents had business contacts in the U.S. prior to moving, but half had family contacts, reflecting the fact that many of those who moved with their parents were born to parents who were normally residents of the U.S. but only temporarily resident in Canada at the time of their birth. The most interesting contacts are those of the self migrants and those going to the U.S. for university. About three fifths of each type had some form of contact in the U.S. before moving, with family ties most important, followed by social contacts. Of the self migrants, 10

per cent had contacts in their present company and 21 per cent had other business contacts. Although they were not transfers, at least some of the self migrants went to the U.S. after already being somewhat integrated into U.S. business.

Once they have left Canada, what kinds of contacts do these types maintain back in Canada? The following table suggests that strong ties remain even after moving.

TABLE FIFTY-FOUR
Canadian Born U.S. Resident
Managers' Current Canadian Contacts

	(Per cent 'Yes')			
	With Parents	To University	Self Migrants	Transfer
General contacts	83%	98%	99%	100%
Social contacts	38%	68%	61%	79%
Business contacts	45%	37%	61%	77%
Family contacts	61%	73%	81%	92%

The somewhat lower current Canadian contacts by those left with their parents is to be expected, but even in this category, over four fifths report some type of current contact. Family contacts are the most prevalent but nearly half still have business contacts in Canada. This suggests that continental ties remain important even for this group that left Canada as children. Virtually all of the other three types have some Canadian contact. Those who went to the U.S. for university have mainly family and social ties but still 37 per cent report business contacts in Canada. The self migrants are very high on current business contacts as are those who transferred. Strong social, family and business networks by these managers suggests important binding ties of a continental scope.

Even within the U.S., there are strong ties between businessmen born in Canada and now resident in the U.S. Over four fifths of the self migrants and transfers now know other Canadian born businessmen in the U.S. but so do almost three quarters of those who left for university and over half of those who left with their parents. Aside from those moving with their parents, where the proportions are about identical, more know other Canadian born businessmen through business than socially. This suggests

that Canadian born U.S. resident managers are fairly prevalent in the U.S. and that their common roots in Canada have some effect on their ties within the U.S.

TABLE FIFTY-FIVE

Canadian Born U.S. Resident Managers Who Know Other
Canadian Born Businessmen Now in the U.S.

	(Per cent 'Yes')			
	With Parents	To University	Self Migrant	Transfer
Know Other Canadian Born now in the U.S.	56%	73%	81%	81%
General	42%	51%	52%	55%
Social	41%	56%	75%	73%

One respondent who left Canada in 1948 with his parents (his father was a corporate official), having attended a private school in Ontario and going to UCLA for a law degree, said, "I know approximately 50 businessmen who have come to California in the past ten years. Primary reasons appear to be economic opportunity, climate and social activities."

It has been shown historically and now for the contemporary period that many ambitious Canadians find themselves drawn to the U.S. Historically, they have been drawn by the prospect of economic opportunities befitting the entrepreneurial stage of capitalism. Now, with the era of corporate capitalism firmly in place, a new type have been drawn to the U.S. This new type goes to the U.S. in the process of career mobility within a continental corporation by moving up the ranks within Canada and being led to the parent U.S. company. Other people are drawn to the U.S. initially for education but then find themselves becoming part of the business world in the U.S. What is most striking is that all of the types examined continue to have social, family and business ties back in Canada, thus serving to integrate the two societies on yet another level.

Summary

This survey of Canadian born U.S. resident managers has allowed a much more refined analysis of managerial migration than is possible with immigration data; it has also permitted a much more detailed analysis of their

characteristics than was possible with the limited number of cases from the elite level. Both barriers within Canada, particularly class, ethnic and regional barriers, and perceived opportunities within the U.S. have been shown to be factors in stimulating mobility to the U.S. The continental economy has been shown to create a structure whereby some people have been transferred within corporations across the national boundary; however, this proves to be more important at the managerial level (21 per cent) than at the elite level (13 per cent). Nevertheless, it is clear that managerial migration has not provided a great deal of upward mobility for most Canadians. This avenue is somewhat more open than the elite level but this would be expected given their lower level of power and the fact that many of these migrants, particularly the transfers, are insiders where mobility was more prominent even within the elite.

The north-south pull has been shown to be very strong for the managers, particularly for those born in western Canada. Within the Canadian elite it was shown that the Western born tended to be oriented toward central Canada. Therefore, in both cases it is necessary for these people to migrate to attain their present positions. Just as in the U.S. elite, these managers tend to be drawn to the industrial Northeast and to some extent to the North Central and West but avoid the South.

Among the managers there is a clear pattern where those who left to go to university in the U.S. perceived the greatest barriers in Canada and the greatest opportunities in the U.S. They were followed by the self migrants. However, the transfer types were least likely to perceive these barriers, primarily because they first had to be successful within Canada.

Finally, the kind of continental contacts the managers had in the U.S. before moving, contacts they maintain back in Canada and contacts with other Canadian born businessmen in the U.S. were examined. It was shown that each type has very high levels of contacts which served to create something of a continental community at the top of the class structure. Not only were the contacts back to Canada high, as would be expected, but even before migrating, many had social, family and business connections in the U.S. which would serve to ease their movement. Well over half of all types and generally about four fifths of these U.S. resident managers born in Canada continue to have contacts with other Canadians living in the U.S., especially on a business level, suggesting that this type of migrant is not uncommon within U.S. business circles.

This adds further evidence to the argument advanced earlier that Canada is integrated with the U.S. not only on the economic level as recipient of a large volume of U.S. investment but that this relationship involves a good many Canadian capitalists, whether elites or managers, who have benefited by this arrangement. They project an ideology of internationalism and related to that an ideology of corporate capitalism. It is now important to turn to the Canadian elite and analyse their multinational and continental activities, particularly focusing on the effect of the continental economy on the elite structure.

III. Multinational and Continental Activities of the Canadian Elite

International Associations

Various levels of elite associations between Canada and the U.S. have been discussed throughout this study. Before turning to the implications of continental capitalism for the structure of the Canadian elite, it is important to more closely review some of these continental and multinational elite ties. One level where there is explicit coordination between the two elites is in various international policy making associations. For the continental economy, the Canadian-American Committee, formed in 1957, "to study problems arising from growing interdependence between Canada and the United States," is one of the most important. Elite members belonging to this committee include, among others, William John Bennett, president of the Iron Ore Co. of Canada and a director of Canadian Pacific; Herbert Hayman Lank, director of such dominant companies as Bell Canada, Canadian Pacific, Consolidated Bathurst, Credit Foncier, Genstar, Hudson's Bay Gas and Oil, Sun Life and Toronto-Dominion Bank; Brooks McCormick, President of International Harvester and a director of Commonwealth Edison, Esmark and First Chicago Corporation; Henry Smith Wingate, a director of the International Nickel Co. of Canada and Canadian Pacific in Canada and U.S. Steel, American Standard and J.P. Morgan in the U.S. In its policy statement, the Canadian-American Committee says,

The Committee believes that good relations between Canada and the United States are essential for the future prosperity, and perhaps even the survival, of both countries. It is therefore seeking not only to encourage a better

understanding of the problems which have arisen and may arise, but also to develop solutions for such problems which are in the common interest of both countries. The Committee is taking a North American approach in its search for constructive programs (1965:ix).

As the North American economy became even more continental after the Second World War, it was important for businessmen to develop forums where they could discuss and resolve their mutual concerns, particularly how to keep national boundaries from becoming barriers to international capital.

Reflecting the world system within which these capitalists and their corporations operate, associations have also been created on a broader level than the continental one. One such association is the British-North American Committee, which is sponsored by The British-North American Research Association (U.K.), The National Planning Association (U.S.) and The Private Planning Association of Canada (these same U.S. and Canadian associations also sponsor the Canadian-American Committee). There are a total of 93 members on this committee, 29 of whom are key members of the U.K. economic elite, like Sir David Barran, managing director of Shell Transport and Trading and Dr. Ernest Woodroffe, chairman of Unilever. But, more important for present purposes, are the members of the Canadian and U.S. economic elites. Canadian members include, among others, Robert M. Fowler, who is chairman of the executive committee as well as president of C.D. Howe Research Institute, chairman of BP Canada, a director of Celanese Canada, The Quaker Oats Company of Canada, and other corporations; the Honourable John Black Aird, chairman of Algoma Central Railway and a director of such dominant Canadian and U.S. companies as AMAX, The Bank of Nova Scotia, Consolidated-Bathurst, the Molson Companies, and others; the Honourable J.V. Clyne, former head and now a director of MacMillan Bloedel and a director of Canada Trust and others; Dr. John J. Deutsch, a director of the Canadian Imperial Bank of Commerce, Alcan, F.P. Publications, INCO and others; Derek F. Mitchell, president of BP Canada and a director of Canadian International Paper; J.G. Prentice, chairman of Canadian Forest Products and a director of the Bank of Montreal; William Ian Mackenzie Turner, Jr., president of Consolidated-Bathurst and a director of Power Corporation, Celanese Canada, Dominion Glass and others; W.O. Traits, former

chairman of Imperial Oil, now vice-president and a director of the Royal Bank, and a director of Abitibi Paper. From the U.S. economic elite are such members as James H. Binger, chairman of Honeywell; a director of Northwestern Airlines, Northwest Bancorporation, Chase Manhattan and 3M; William Blackie, a director of Caterpillar Tractor and Shell Oil; Harold Bridges, president of Shell Oil and a director of Charter New York Bank; Nicholas Joseph Campbell, Jr., senior vice-president and a director of Exxon; Silas Strawn Cathcart, chairman of Illinois Tool Works and a director of General Electric; Joseph B. Flavin, president of Xerox and trustee of Northwestern Mutual Life; Henry J. Heinz II, chairman of H.J. Heinz and a director of Mellon National; Tom Killefer, vice-president and a director of Chrysler; Franklin A. Lindsay, president of Itek and a director of First National Boston; Ray W. Macdonald, president of Burroughs and a director of Chrysler; Ian K. MacGregor, chairman of AMAX and a director of American Cyanamid and Singer; General Lauris Norstead, a director of Owens-Corning Fiberglass and Continental Oil, United Air Lines and the Canadian dominant, Abitibi Paper; J.E. Wallace Sterling, the Canadian born Chancellor of Stanford University and a director of Shell Oil and Kaiser Aluminum; Andrew W. Tarkington, member of the executive committee and a director of Continental Oil, a director of Bankers Trust N.Y. and a director of the Canadian dominant, Hudson's Bay Gas and Oil. While this does not exhaust the Canadian and U.S. economic elite members who belong to the British-North American Committee, it does give some idea of the common meeting ground it provides for elite members from Canada, the U.S. and the U.K.

Continental and Multinational Ties of the Canadian Elite

Canadians in the U.S. elite have already been discussed, showing that 30 hold dominant U.S. posts and 23 hold other U.S. corporate posts, including seven per cent of the Canadian elite. At least 106 Canadian resident members of the elite hold a U.S. club membership, 40 in one of the top ten clubs and 56 in other U.S. clubs. There is a close relationship between the two, since one half of those holding a dominant U.S. post also reports a U.S. club membership. Just as the Canadian elite is centred in central Canada, so too do the continental ties run from central Canada to the U.S.

Of the 53 Canadian resident members of the elite holding a U.S. post, 23 were born and 29 resident in Ontario, while 10 were born and 19 resident in Quebec. Again, of the 106 with U.S. clubs, 53 reside in Ontario (exactly half) and 28 in Quebec, while British Columbia follows with only 7. Therefore, the Canadian connection to the U.S. is primarily from central Canada with other periphery regions tying into central Canada.

There are many other continental ties which could be explored, but two examples will suffice to give some indication of these relations. S. Robert Blair, born in Trinidad and now resident in Calgary, Alberta, was educated at Choate School, Wallingford, Connecticut, and has an engineering degree from Queen's University, Kingston, Ontario. Blair worked for Canadian Bechtel, the giant U.S. engineering and construction company, as an engineer from 1951 to 1958, during which time (and until recently) his father was president of Canadian Bechtel, as well as a director of Canada Permanent Mortgage and Alberta Natural Gas. The son moved to Alberta Natural Gas in 1958, becoming a director in 1959, vice-president in 1961 and president of Alberta Gas Trunkline (a joint Canadian-U.S. venture) in 1966. He continues in this position, adding directorships in the Bank of Montreal, Dofasco and Uniroyal. Admittedly, Blair is exceptionally well integrated with both the Canadian and U.S. upper class through his schooling and corporate positions, but he is not alone. Another example, concentrating more on the social level of continental integration, is William Cranfield Harris. He was born in Toronto, Ontario and a graduate with a B. Comm. from the University of Toronto in 1925. He is the son of William Thomas Harris, who was president of The Harris Abattoir and vice-president of Canada Packers and now chairman of Harris & Partners and a director of Brascan and the Bank of Nova Scotia (having once held directorships on other dominant companies). William Crawford Harris also maintains a residence in Florida and mixes with the U.S. upper class in top clubs like the Links of New York and Rolling Rock of Ligonier, Pennsylvania, while also mixing with the Canadian upper class in the Toronto, York and National Clubs. His son, William Bowles Harris, is a graduate of Upper Canada College, University of Toronto, and Oxford, and is chairman of Dominion Securities Harris and a director of National Trust. He too is solidly integrated into the life of the continental business world with memberships in the Toronto and Mt. Royal Clubs as well as the Links of New York.

Certainly not all of the Canadian economic elite is as well integrated into the U.S. upper class as the Blair's and Harris' but it is also clear that at least part does operate in the U.S. as equals while, as will soon be seen, others are integrated as unequal partners in the continental system of dominance.

As discussed in some detail in Chapter Five, there is a component of Canada's dominant corporations that operates multinationally. As in the U.S., it is possible to identify some of the features of the individuals associated with these companies. There are two primary ways to identify those associated with multinational companies: either because their main corporation is multinational or because one of the companies where they hold an elite position is multinational. It is quite obvious that the most active members of the elite who hold the most dominant directorships are, in turn, the most multinational because they are exposed to a broader range of companies. For those with multiple dominant directorships, 73 per cent are multinational compared to 55 per cent of the single directorship holders. For those whose main affiliation is in the transportation/utilities sector, 28 per cent are multinational but 65 per cent of those holding a dominant directorship in this sector have some multinational affiliation. This is actually higher than the 46 per cent of the U.S. elite with a dominant transportation/utilities directorship who have some multinational affiliations. In finance, 32 per cent are multinational because of their main company and 87 per cent of those with a dominant financial directorship are multinational. Once again this is higher than the 82 per cent in the U.S. Resources are the most multinational with 60 per cent whose main affiliation is in this sector and 95 per cent of those with a dominant position in this sector; in the U.S., 99 per cent are multinational. In manufacturing, 46 per cent whose main affiliation is there are multinational and 83 per cent with a dominant directorship in that sector; in the U.S., 91 per cent. For trade, only 27 per cent with a main affiliation there are multinational and 70 per cent with a dominant directorship; in the U.S., 73 per cent. It is interesting that in the finance and transportation/utilities sectors, those with some multinational affiliation are actually higher proportionately than in the U.S. However, in the manufacturing and resource sectors, where U.S. capital dominates in Canada, the U.S.

has a greater proportion multinational. However, as will be illustrated, there is an important relationship between Canadian multinational elites and U.S. multinationals.

Indigenous and Comprador Elites in Canada

There is an interesting difference in terms of class origins of those associated with multinationals. For those whose main affiliation is a multinational, 48 per cent are upper class in origin; for those with no multinational affiliation, 57 per cent are upper class and the most upper class, at 75 per cent, are those who are multinational because of a secondary affiliation. The reason for this difference is that many of the Canadian elite whose main affiliation is multinational are affiliated with a foreign controlled branch plant. These people (the comprador elite) tend to be less upper class in origin than the indigenous elite. The distinction between indigenous and comprador elites by multinational activity is made in the following table.

TABLE FIFTY-SIX
Multinational Activity
of Canadian Indigenous and Comprador Elites

Multinational Activity	Indigenous	U.S. Comprador	U.K. Comprador	Other Comprador
Main	23%	62%	79%	73%
Other Dominant	42%	18%	21%	27%
Other Corporation	3%	1%	--	--
None	33%	20%	--	--
Total	100%	100%	100%	100%
(N)	(588)	(135)	(42)	(33)

It is evident here that all the U.K. and 'Other' compradors are multinational and three quarters of these are multinational because of their main affiliation. The U.S. compradors are also high because of their main activity but unlike the other compradors, 20 per cent of the U.S. compradors are not associated with multinational companies because the U.S. branches they work for are only continental in scope. The indigenous elite

is least multinational, particularly in terms of their main affiliation. Nevertheless, two thirds of the indigenous elite is multinational because of some affiliation. A great deal of the multinational affiliation of Canadian indigenous elites is accounted for by their association with foreign controlled branches in Canada, although, as pointed out in Chapter Five, there are a good number of Canadian multinationals, especially in the financial sector.

Before proceeding with differences in the indigenous and comprador fractions of the Canadian elite, it is important to place the question of compradorization in some context. Comprador elites are those whose main affiliation is with a foreign controlled branch plant in Canada. This is not the same as foreign born in the elite (although many foreign born hold comprador positions in Canada). As has been documented in detail in previous chapters, there has been a rapid process of U.S. takeover and control in the productive sectors of the Canadian economy over the past twenty-five years. In the initial stages of this takeover, U.S. managers were often sent to Canada to run the branch operations. However, as these operations became established and stabilized, Canadians were trained and groomed to assume these positions and, as was argued in detail earlier, control remained exercised by the parent company through directives, fiscal measures and the ability to select Canadian management that would carry out its policies. Two processes are occurring simultaneously. First, there is increasing foreign control and second, Canadian management is increasingly being used to administer the Canadian branches.

The following table on the birthplace of Canadian resident members of the elite illustrates that Canadians are increasingly being used in branch plant operations, in spite of increasing foreign control.

Over the past two decades, there has been an increase in the proportion Canadian-born among the elite even though there has been a slight decrease in the overall population during the same period. The proportion born in the U.S. is the most over represented compared to the population, illustrating that foreign control continues to bring some foreign executives even in the advanced stages of a branch plant economy. The most under represented are those born in 'other' areas (about 2 per cent of the elite and 10 per cent of the population). This reflects the general pattern of 'other' ethnic exclusion in the Canadian economic elite.

TABLE FIFTY-SEVEN
Birthplace of the Canadian Economic Elite,
1951* and 1972

Birthplace	Economic Elite		Canadian Population	
	1951	1972	1951	1972
Canada	80.4%	85.6%	85.3%	84.7%
United States	9.9%	6.5%	2.0%	1.4%
United Kingdom	8.7%	5.5%	6.5%	4.3%
Other	1.1%	2.4%	6.2%	9.6%
Total	100%	100%	100%	100%
Number of cases	760	798		

*1951 Elite based on Porter, 1965.

Among the entire Canadian resident elite, 74 per cent can be classified as indigenous elites, 17 per cent as U.S. compradors, 5 per cent as U.K. compradors and 4 per cent as 'other' compradors. The greatest determinant of whether a person is going to be comprador or indigenous is the control of the corporation through which they have most of their corporate careers. Of those through Canadian controlled corporations, 97 per cent are indigenous. Of those through U.S. corporations, 81 per cent are U.S. compradors and 16 per cent indigenous; through U.K. corporations, 89 per cent U.K. comprador and 11 per cent indigenous and all those with their main careers in 'other' controlled companies are 'other' compradors. Related to control of corporation for their main career, is their birthplace. Of the U.S. born in the Canadian resident elite, 50 per cent are primarily associated with U.S. controlled companies and 42 per cent indigenous; of the U.K. born, only 27 per cent remain with U.K. companies and 57 per cent indigenous; of the others, 21 per cent 'other' comprador and 68 per cent indigenous. Thus there is a very different pattern among the foreign born in the Canadian elite. While half the U.S. born residents in the Canadian elite are 'attached' to the U.S. through a branch plant, this is true for only a quarter of the U.K. born and a fifth of the others.

The main correlation of foreign versus Canadian controlled corporations in Canada is the sector in which they operate. These differences are dramatically expressed in the career avenues by sector used by various fractions of the elite. Of the Canadian born indigenous elite, only 19 per cent used

either manufacturing or resource companies as their career avenue to the elite while 37 per cent used transportation/utilities or finance. Of the Canadian born U.S. comprador elite, 55 per cent used resources or manufacturing and only 18 per cent transportation/utilities or finance. Of the U.S. born in the Canadian resident elite, who are affiliated primarily with a U.S. corporation, 83 per cent have used manufacturing or resources. Just as at the corporate level U.S. direct investment concentrates in the sphere of production, so too at the level of the elites themselves.

Comprador elites also tend to hold different positions within Canadian corporations than do the indigenous elite, as the following table illustrates.

TABLE FIFTY-EIGHT
Corporate Positions of Indigenous and Comprador
Canadian Elites

Dominant Post	Indigenous	U.S. Comprador	U.K. Comprador	Other Comprador
Insider	19%	28%	36%	21%
Outsider	55%	37%	33%	33%
Executive	26%	35%	31%	49%
	100%	100%	100%	100%
Any Post				
Insider	17%	26%	26%	18%
Outsider	11%	10%	5%	15%
Executive	55%	56%	57%	55%
Partner	18%	8%	12%	12%
	100%	100%	100%	100%
(N)	(588)	(135)	(42)	(33)

Within dominant corporations or any corporation, all the comprador elites are more likely to be insiders than is the indigenous elite. Within dominant corporations the comprador elites are also more likely to be executives but when any corporation is taken into account, the proportions are almost identical. The indigenous elite is more likely to hold an outsider post in a dominant corporation or a partnership than are the comprador elites.

These corporate positions are again reflected in the corporate career avenues of the elite fractions. Only 17 per cent of the indigenous elite experienced the long crawl through the corporate ranks while 26 per cent of the U.S. comprador elite are long crawlers. While 44 per cent of the indigenous elite have a dominant corporation as their main current affiliation and 25 per cent have non-corporate affiliations, among the U.S. comprador elite 56 per cent have their main affiliation with a dominant corporation and only 19 per cent have non-corporate affiliations, among the U.S. comprador elite 56 per cent have their main affiliations with a dominant corporation and only 19 per cent have non-corporate affiliations. In part, these differences reflect the differing roles of lawyers within the elite fractions. Of the lawyers now with a law firm, 79 per cent are indigenous elites but only 68 per cent of those who have left their law firms are indigenous and 60 per cent of the internal lawyers. Therefore, lawyers who have switched from law practice to become 'house' lawyers often tend to be drawn into the ranks of the comprador elite.

The fact that comprador elites tend to be insiders and have long corporate crawls suggests some differing patterns in class recruitment to the elite fractions. Added to this is the fact that they also tend toward careers in science and engineering (only 7 per cent of the indigenous elite but 27 per cent of the Canadian born U.S. comprador elite and 37 per cent of the foreign born comprador elite), while the indigenous elite is over represented in law and a third of them have careers in family firms. Together these factors contribute to the greater openness of the comprador elite. However, there are important differences within fractions of the comprador elite. The U.S. comprador elite is only 38 per cent upper class but the U.K. comprador elite is 57 per cent and the 'other' 61 per cent. The indigenous elite is 66 per cent upper class. This difference between the U.S. comprador elite and the other comprador elites cannot be explained by corporate positions. The explanation may be that the branch plants of companies controlled from outside the U.S. have a greater degree of autonomy from their parents which induces them to recruit more 'reliable' Canadians of upper class origin to manage their Canadian affairs, while it is easier for the U.S. elite to keep a closer watch over their Canadian operations.

An alternative possibility is that the U.S. branches follow a practice like their parent corporations of recruiting more broadly within the population. The evidence presented earlier tends to confirm both explanations. Since few of the foreign born from the U.K. or 'other' areas remain attached to corporations controlled from these areas, more Canadians tend to be recruited to fill these positions. On the other hand, half the U.S. born in the Canadian resident elite remain with U.S. branches and would reflect the recruitment patterns of their parent companies. Whatever the explanation, it is clear that this broader class recruitment by U.S. companies in Canada does not extend to ethnicity since 96 per cent of the U.S. comprador elite are Anglo compared to 85 per cent of the indigenous elite.

What social background characteristics tend to ensure that a member of the Canadian economic elite will be indigenous? The strongest guarantee is to inherit some position, particularly a career in a family firm. Aside from this, having a father in the economic elite ensured that 93 per cent would be indigenous; having a father in a substantial business ensured 83 per cent and having a wife from an elite family ensured 81 per cent. However, having a father in the state elite does not ensure an indigenous position. Of those with fathers in the state elite, only 67 per cent are indigenous, 19 per cent U.S. comprador and 11 per cent U.K. The same effect holds for those who themselves held bureaucratic positions in the state, since only 67 per cent of those in the bureaucracy during the Second World War and 70 per cent of those outside the war are in the indigenous elite. However, holding a political office gives an 84 per cent chance of being indigenous.

Finally, what kinds of relationships exist between these various fractions of the elite? To this point, only the primary affiliations of the elite have been examined. However, as was pointed out earlier, many of those holding indigenous positions simultaneously hold comprador positions. The following table provides some insight into these interfractional relations.

TABLE FIFTY-NINE
Relations Between Fractions of the Canadian Elite
Secondary Relations With:

Primary Affiliation	U.S.	U.K.	Other	Canada	None	(N)
Indigenous	31%	11%	7%	x	58%	(528)
U.S. Comprador	x	5%	4%	51%	41%	(105)
U.K. Comprador	14%	x	7%	57%	36%	(28)
Other Comprador	5%	5%	x	64%	32%	(22)
						(683)

It is apparent that there is a high degree of interconnection within Canada between indigenous and comprador fractions of the elite. However, the 'other' compradors tend to be connected mainly to the Canadian corporations and much less to the other comprador fractions. This is also true of the U.K. compradors although not to the same extent. What is most interesting is that 31 per cent of the indigenous elite simultaneously hold comprador positions in U.S. branches and 42 per cent hold at least one comprador post. On the other hand, well over half the compradors hold at least one position on a Canadian controlled company. As with class origins from the upper class, it is again the U.K. and 'other' compradors who are highest in terms of these connections with Canadian controlled companies. But the indigenous elite is most tightly connected with U.S. branches. In part, this reflects the greater dependency that the Canadian indigenous elite have on U.S. business in Canada. Since they have over developed the sphere of circulation and allowed the sphere of production to become U.S. dominated, they are forced into the position of having to find outlets for their capital and services. One important way this is done is through joint directorships and it is clear that a good many of the indigenous elite have been successful in forging these relations.

Does it make any difference who sits on the boards of branch plants in Canada? From the perspective of the actual control of the company, it makes little difference since the branch must operate within the constraints of the U.S. or multinational operations of the parent. However, for the purposes of ensuring capital sources within Canada, access to services like transportation and utilities, Canadian markets and contacts with the Canadian state, these connections are of importance. The Canadian elite has

been content to allow foreign dominance of the productive sphere of the economy because they have been able to benefit by its activity. They have been able to gain an important and lucrative position for themselves within the continental structure of dependence.

CHAPTER TEN

Implications of the Continental Economy for Canadian Society

Is it correct to argue that multinational corporations 'transcend the nation state'? In the sense that capitalism is international and not confined to a particular national territory, it is correct. But this is not all that is implied in this argument. To the extent that it implies that multinationals are without national bases, without important national ties and do not need the protection, legitimacy and resources of the home state, the argument is clearly wrong. At the most basic level, and this is what binds the capitalist class together whether nationally or internationally, multinationals must maintain a capitalist society where property rights are ensured. To provide this most basic guarantee, multinationals need nation states. On the other hand, multinational corporations do not promote an equal sharing among or within nations of the resources they control. To the contrary, they ensure that inequality within and between nations will be maintained and even expanded.

Since Canada is located mid-way in the world economic system, acting as both a receiver of branch plants from foreign owned multinationals and is itself the base for Canadian multinationals operating in the rest of the world, Canada's place within this world system of inequality is ambiguous. These multinationals dominate Canadian industry, resources and trade patterns; the nature of the Canadian labour force and research and development are shaped by their presence; and they have great leverage in dealing with various branches of the Canadian state. The power contained in these companies is private power, exercised by sets of people in ways they feel to be most beneficial to themselves and their companies, with very limited accountability for their actions to the people directly affected. Those who own and control these enormous operations are not subject to popular elections; nor are they often held publicly accountable for their decisions. They are a self-selecting, self-perpetuating set of people who have wide-ranging control over the lives of Canadians and the shape of Canadian society.

Within the world system, there are some barriers to capital, or more specifically capitalists, which constrain the activities of multinationals. The most important of these is political and since half the world is not capitalist, this imposes important limits on the 'free' movement of multinationals (e.g., China or Cuba). Aside from this, some nations have established political barriers regulating the type, amount and areas of multinational activity from the outside (e.g., Japan or Sweden). Aside from these political barriers, an important constraint on foreign multinationals is other capitalists already engaged in economic activities who are able to 'fight' for their 'turf.' This is variable with the period of entry and different economic activities (e.g., Canada or Europe). But to stress these constraints is to miss the tremendous freedom giant capitalists have in much of the world to extract economic surplus. This is nowhere more evident than in the relationship between the U.S. and Canada, the subject of this study.

Since the end of the Second World War, the U.S. has lost some of its hegemony within the world system, although it remains the most powerful capitalist nation. While the absolute GNP of the U.S. continues to rise, its share of the 'gross world product' is on the decline (from about one half in 1950 to about one third now). Countering it in the post-war era have been the USSR, China, Japan and the EEC (European Economic Community). Nevertheless, Canada's reliance on the U.S. has steadily increased and its outside relations have declined dramatically (from about half in 1961 to over two thirds in 1971 of Canada's exports are to the U.S.). Canada cannot easily withdraw from the continental economy and shift its trade elsewhere because, unlike earlier periods, much of its 'trade' is intracompany transfers to U.S. parents. Therefore, Canada remains locked into the continental economy, even if other nations begin to challenge the world hegemony of the U.S.

L. The Nature of the Canadian Elite: The Question of Domination

As has been stressed throughout this study, U.S. multinationals alone cannot explain the amount of U.S. foreign direct investment in Canada's sphere of production. At least part of the answer rests with the nature of Canadian capitalists and their essentially complementary relationship

with U.S. control in production. This, in turn, is related to the nature of the Canadian elite. For example, to explain why it is that the Canadian economic elite is more exclusive in 1972 than in 1951 (from about 50 per cent upper class to over 60 per cent) is more complex than simply because of U.S. penetration, since the U.S. comprador elite in Canada is even more open than the indigenous elite. There is, however, a direct relationship. The Canadian indigenous elite is 'boxed in' by its own past which has given up most of the productive areas of the economy--manufacturing and resources--to foreign capitalists while it has stayed safely a step away from industrialization and aggrandized itself on the spoils--interest on capital and providing services such as transportation and utilities. Thus, there has been a narrowness to its recruitment base induced by its specialization.

What happened to the powerful Canadian commercial interests of the turn of the century who saw Canada as the rising centre of a new imperial design? Internationally, they declined with the British Empire. Internally, they shared their power in an alliance with U.S. industrial capitalists. They have not faded away quietly. Their legacy remains with an overdeveloped financial and transportation/utilities system in Canada and remnants of their commercial activities in the rest of the world, particularly in the West Indies. But just as their earlier prosperity depended on the hegemony of the U.K., so now their continued prosperity is predicated on the ascendancy of the U.S.

The power of Canadian capitalists in circulation has shaped Canadian society in many ways. An economy dominated by financial capitalists, particularly those engaged in mainly long term interest-bearing investments (unlike many U.S. financial capitalists who tend to deal more in equity) will not strongly resist state ownership of particular sectors such as transportation or utilities since they can still extract their surplus by investing their capital in such enterprises, regardless of ownership. Moreover, these outlets are much more secure than private outlets, at least those in entrepreneurial ventures. Thus, there is less of a tendency to fund entrepreneurial capitalists in Canada but when the state takes charge of wavering capitalist ventures--such as the CNR--this can only please the owners who are bailed out and the financial capitalists who hold their debts.

Nor are Canadian financial capitalists at a loss to defend themselves. For example, before a recent Vancouver Board of Trade gathering, Earle McLaughlin, president and chairman of the Royal Bank, proceeded to list the major capital-intensive projects in Canada's future like the Alberta tar sands, James Bay hydro and Arctic pipelines, going on to argue that,

Consortium financing is becoming an important activity of the major Canadian banks. This is a way in which banks can get together to share the financing and to spread out the risks of these gigantic capital projects.

Can you imagine trying to form a loan syndicate to finance a major gas pipeline with hundreds of little banks? So don't underestimate the advantages of the Canadian system with its very big banks (Financial Post, December 13, 1975:C-5).

Whether the project is owned by a consortium of U.S. and state capital, by state capital alone or by U.S. capital, the banks are equally willing to 'share' in the projects. Their correspondent relationships with one another help secure their dominant place rather than threaten it. McLaughlin's logic is sound given one assumption; that assumption is that the state needs to go to the 'private market' to finance such ventures. In a capitalist society, the logic is certainly sound, since it is the private financial capitalists that control the greatest capital reserves and they determine to whom they will loan these reserves. But what McLaughlin fails to ask is what are the disadvantages of Canada's banking system where over 90 per cent of all activity is controlled by only five banks?

One disadvantage is to small capitalists who certainly do not need bank consortium to finance them. Because of their orientation to 'bigness' (which means security), Canadian financial capitalists were drawn to the industrial corporations controlled in the U.S. rather than to small Canadian industrialists. At the turn of the century, as Canada began its process of industrialization and as corporate capitalism was taking hold, a major outlet for capital was opened in the sphere of production and Canadian financial capitalists did not hesitate to enter, in their own way, into this activity. If the Canadian financial capitalists, who dominated the Canadian economy around the turn of the century, were to remain with their traditional pattern of stable, long term, interest-bearing investments, then they had to search for appropriate outlets. If there were no outlets that

could generate surplus, then they would suffer losses; but if there were surplus-generating outlets in production, they could maintain their strong and secure position. The need for these productive outlets explains the search for them by Canadian financiers--be they Canadian or U.S. controlled. Since the U.S. industrial system was further advanced technologically, managerially, and in terms of markets, they were often favoured as more secure investments. Complementing financial capitalists' search was the willingness of U.S. industrialists to expand as their national market 'filled' and resources were needed.

In this age of corporate capitalism which has witnessed the coalescence of industrial and financial capital, it may be anticipated that the two would become one, but the Canadian dominant capitalists have found it difficult to abandon their past, a past which they have found profitable and secure even within an industrial age. They have remained with financial and related mediating activities carried over from their old imperial ties with Britain and from this stable base of power have entered into an alliance with U.S. industrial capitalists at home and extended their own base of power abroad under the U.S. sphere of influence. The existence of a developed industrial structure to the south which could be imported to Canada by way of branch plants provided the surrogate for indigenous industrial development. While they have not totally abandoned manufacturing, particularly the area of steel so closely tied to earlier railway expansion and food and beverages so closely tied to agriculture, they have abandoned most other manufacturing pursuits and almost all resource-related activities outside the traditional pulp and paper field, historically a key staple.

While in class societies various classes are related to each other by unequal exchanges which form asymmetrical relationships based on surplus extraction, various fractions within the same class need not be so related. That is, various class fractions such as industrial and financial capitalists may form symmetrical relationships within a broad economic system, each mutually complementary to the other. If these alliances cross political boundaries, then little matter--capitalism is international. But various fractions within a class may make alliances more readily than others. For example, the Canadian financial capitalists at the turn of the century had to make a decision as to its ally in moving Canada into an industrial era.

It could have chosen the nascent Canadian industrialists, the counterpart of today's middle range indigenous national capitalists or their powerful U.S. competitors, the counterpart of today's dominant comprador capitalists. Consistent with their philosophy of stable investments, they chose the latter. In some instances, consistent with the movement from entrepreneurial to corporate capitalism, they chose to enter industrial activities themselves but not as entrepreneurs or industrialists, rather as financiers by consolidating existing small scale industries into corporate complexes.

The upshot of this is that, in terms of the power to decide about specific economic activities in Canada, there has been a regression to the under development of decision making (although not total under development of 'material' well-being), with the loss of control over the future development and stability resulting from an indigenously controlled base in manufacturing and resources. However, those over developed sectors in finance, transportation and utilities built on U.K. portfolio investment and now controlled by the dominant indigenous capitalists still remain powerful components of the total class. In other words, the process of compradorization has been sector specific and occurred alongside powerful traditionally Canadian capitalists rather than displacing them. The effect on weak capitalists in production has, of course, meant their downfall.

The fragmentation which has resulted among the capitalist class in Canada does not mean the total class is not powerful vis a vis the working class --indeed, it may be more powerful because of its alliance with U.S. capitalists in the continental context. However, it does mean that the Canadian component must commit itself to the continental context. The existence of a powerful Canadian commercial elite, based in the Canadian upper class, and a predominantly foreign controlled elite in production, means that Canada remains a 'low mobility' society. Concentration and centralization in commercial sectors has been the result of indigenous forces while these same processes in the productive sectors have been imposed from outside (with the aid of Canadian capitalists in circulation). The result is an economy which is highly structured with few mobility avenues for those outside the upper class. A few middle class Canadians have experienced individual mobility into the elite with the process of compradorization but even this avenue has had many of its uppermost positions filled by indigenous elites. More-

over, very few Canadians have moved through the branch plant structure of the real power positions within the parent company. Largely, this middle class comprador elite is trapped in the branches of U.S. subsidiaries.

Unlike the era of portfolio investment and the British Empire, the direct investment empire of the U.S. does not eventually 'break off' as a result of economic forces alone, but deepens its hold. Nor is there any reason to suspect that the indigenous capitalists in circulation are contemplating taking over these enterprises.

Is the size of the U.S. economy a sufficient explanation to account for the dominant position of U.S. capitalists in Canada, particularly in production? Canadian society is clearly of much smaller scale than the U.S. (with about one eleventh the population). This has two major effects on the nature of their respective elites. First, because of scale, the interpenetration of the two societies is such that whenever it occurs, the U.S. overwhelms Canada. Secondly, since Canada is much smaller than the U.S., and added to this the more limited 'turf' of Canadian capitalist, the Canadian elite is a much closer-knit community in terms of interaction and recruitment. However, the difference between Canada and the U.S. is not only one of scale but one of type, in the sense of the relative concentration of economic activities and differing strengths by type of activity as has been stressed so frequently. Would relations between Canada and the U.S. be very different if there was only the factor of a giant market eleven times the size of Canada to the south rather than this size in combination with U.S. control of about half the total manufacturing and resource sectors of the Canadian economy? The clear answer is yes. Ownership by Canadian capitalists would allow them to trade outside the U.S. to a greater degree than branches of U.S. companies are prone to do, thus reducing market dependency. In addition, surplus generated from Canadian operations would remain in the hands of Canadian capitalists for future growth rather than have much of this surplus withdrawn to the U.S. or re-invested in the branch plants. But this is merely an academic exercise. The reality is that the two countries are of radically different size and type. In combination, they have created the present structure of dominance.

As was argued in detail earlier, any attempt to analyse Canada in terms of a simple dominance/subordinate dichotomy (as in the Latin American

5

OF/DE

5

models of dependency) necessarily misses the complexity of both its internal class and power relations. While in general the U.S. dominates Canada and the dominant capitalists in Canada overpower those of the middle range, there remain important mediations between each and significant political struggles. It is important to look for both points of alliance and tension, points where each gains and where one gains at the expense of the other. While the type of methodology used here can specify some of these complexities, the real work in specifying these political struggles remains to be done through detailed case studies (some of which have been reviewed earlier). But without some broader context, cases remain simply cases and do not lend themselves to broader trends and developments (such as those outlined here). For example, cases of either the automobile or steel industries in Canada would lead to radically different conclusions if they were not placed in the broader context of the economy as a whole. While one is clearly a dependent industry, the other has enjoyed much more support and success with indigenous capitalists. To understand how and why each coexists requires a broad understanding of the historical and contemporary development of the entire economic structure in Canada and its complex relationship with the U.S.

II. Effects of the Continental Economy on Canadian Society

The 'common sense' of Canadians (and the dominant ideology) would tell them that foreign direct investment means greater investment in their economy, more jobs and better ones, more affluence and, however vaguely, 'progress.' To the contrary, the 'uncommon' reality means, after a brief period of growth, foreign direct investment means more capital flows out than into the economy; there are fewer jobs in the capital-intensive branch plants than in Canadian controlled ones; there are few jobs in branch plants requiring highly trained manpower because much of the research and development is done in the parent country; and finally, that the 'affluence' and 'progress' of these developments are deceptive—favouring the already privileged. One area meriting closer examination is that of regional inequality.

Canada is a particularly fragmented nation. It is a federation of ten provinces and two territories, each of which has increased its demands and power vis a vis the central government since the dismantling of the Ottawa

war machine created for the Second World War. But do these political boundaries alone explain regionalism in Canada? Are the real regional splits not based more on economics than politics? While political fragmentation aggravates regionalism, it is not itself the cause of regionalism. That cause must be found in the uneven development of the country and the branch plant structure of corporate capitalism.

By regionalism is meant an unequal sharing of the wealth and benefits a nation has to offer, expressed in geographical terms. But alone this is not a sufficient definition. There is also a relationship involved—a region is a region of something else and herein lies the key to the unevenness of economic development. It is only uneven when more surplus is extracted than is put in—otherwise it is undeveloped, not underdeveloped. It can only be underdeveloped if it is tied to an external economy that is doing the underdeveloping. The only way it can be truly developed is if all those on site who participate in the development share equally in the surplus produced. If part of the surplus is shipped outside, underdevelopment is occurring. This principle applies equally to class relations or to regionalism, the latter frequently passing for the former.

Upon examination, the issues of class and regionalism becomes closely intertwined. At the most basic level, this is because both are rooted in extractive relationships and both, in Canada, are reproduced through the institution of private property. This is not to say there are no extractive relations in societies which are not capitalist or that they too do not have a type of regionalism, but they have these problems for different reasons and under different political regimes.

When Canada is referred to as an industrial society, what is really meant is part is industrialized—the rest is more aptly characterized as a resource hinterland. Most of Canada's industrial capacity is located below a line between Windsor, encompassing Toronto and moving on to Montreal. This is industrial Canada; all other areas rely on key resources for their economies. In B.C., it is pulp and paper with some hydro; it is gas, petroleum and potash along with wheat in the Prairies; mining and pulp and paper in northern Ontario and Quebec, along with hydro; in the Maritimes, it is pulp and paper, fish and some coal along with hydro in Newfoundland. These outliers feed the 'golden horseshoe' and the U.S. markets with their

resources and, in turn, consume the finished products from these regions. The different economies in the different parts of the country produce different types of class structures in these regions. At the same time, regional economies are tied to national economies and national ones to international ones. Thus, the regional class structures, and contingent upon these the varieties of life styles and opportunities, are to some extent, dependent upon the way they 'fit' into the national and international economic order. Those regions which have surplus extracted from them will have less access to the means of obtaining goods, services and opportunities while those in the surplus-extracting areas will have greater advantage. The over development of one region depends on the under development of another; the over development of one class depends on the under development of subordinate ones.

Concretely, how does this express itself in the economies of the various regions? One important way to examine the effect of different economies is to look at the tax bases they provide to different provincial governments. This is significant because taxes are an important means for securing the revenues necessary to pay for various social services. It can readily be demonstrated that differing levels of industrial development impinge on the resources provincial governments have; moreover, it can also be demonstrated that the effect of the continental economy is to aggravate regionalism in Canada.

While Ontario has 36 per cent of the population, in 1972 it received 46 per cent of the provincial corporate taxes from non-financial companies, 51 per cent of the taxes paid by foreign controlled companies and 54 per cent of the U.S. controlled non-financials. This is especially notable in manufacturing, where 72 per cent of Ontario's taxes are from foreign controlled companies.¹

The following table illustrates two aspects of regionalism. First, is the over representation of taxes Ontario receives from industrial corporations

¹ Calculated from CALURA Report for 1972, Statistics Canada, 1975:21-22, Statements 4 and 5. Data are available only on a provincial basis so government statistics do not lend themselves to intraprovincial regionalism.

compared to the other areas of Canada. Second, is the compounding effect of U.S. direct investments to this over representation by Ontario. Consistently, for all regions, the distribution of taxable income by Canadian controlled industrials is much more in line with the population distribution than is the distribution from U.S. controlled companies.

TABLE SIXTY

Distribution of Non-financial Industrial Taxable Income
by Region and Control, 1972

Control of Companies	Atlantic	Quebec	Ontario	Prairies	B.C.	TOTAL
U.S.	3.2	18.1	53.5	17.6	7.3	100%
Canada	5.2	26.0	41.8	13.4	13.0	100%
All	4.5	22.5	45.7	15.9	11.0	100%
Population	9.5	28.0	35.7	16.4	10.1	100%

(Source: Calculated from CALURA Report for 1972, Statistics Canada, 1975;
Canada Year Book, Statistics Canada, 1973.)

In other words, if it were not for U.S. industrials, the problems of regionalism would not be as serious as they now are for the Atlantic provinces, Quebec and British Columbia. However, in the Prairies, the situation is somewhat different because of oil revenues. This is evident in the following table which examines only manufacturing.

TABLE SIXTY-ONE

Distribution of Taxable Income
by Region and Control from Manufacturing, 1972

Control of Companies	Atlantic	Quebec	Ontario	Prairies	B.C.	TOTAL
U.S.	2.7	18.9	62.2	9.6	6.7	100%
Canada	3.6	28.8	43.2	9.8	14.4	100%
All	3.1	23.3	53.7	10.2	9.6	100%
Population	9.5	28.0	35.7	16.4	10.1	100%

(Source: see Table Sixty)

Here, every area besides Ontario is under represented compared to its population base. However, for only Canadian controlled manufacturing, Quebec and British Columbia are actually above their proportions of the population. In mining, which provided \$279.7 million in taxable income to the provinces, in 1972 compared to \$3,344.5 million from manufacturing, Alberta alone received one half this income (\$138.6 million) of which 88 per cent was from foreign controlled companies. All other provinces were well below their proportion of the population with Ontario's 22 per cent the closest to its population base. Thus, it can be argued that foreign investment in manufacturing, because it has been so Ontario-centred, and in petroleum, because it has been so Alberta-centred, have added greatly to the problems of regionalism in Canada. To understand the issue of regionalism in Canada, it is necessary to look outside to see the forces initiating these problems.

Aggravating regional inequalities is not the only effect of foreign investment on Canadian society, although it is a major one. Many others have already been explored such as the implications for research and development, the social rigidity caused by a limited base of power and the fact that the resource sector of the economy is over developed to meet the demands of the U.S.

Based on the proposition that social relations follow from the economic and political organization of society, it is evident that there must be a relationship between foreign ownership in Canada and the class structure of both Canada and the U.S. And further, that these class relations will be affected by the nature of Canada's economic and political position in the world capitalist order. Thus, it is valuable to look beyond Canada to the U.S. to gain some perspective on internal Canadian developments. Moreover, this larger perspective also allows an analysis of class alliances and conflicts both nationally and continentally. To do so is to necessarily understand a political relationship, for nowhere is the politics of economics more apparent than in foreign investment since the amount, type, location and support of foreign investment permitted in a nation is a political act. Thus the class dynamics of foreign investment can provide important insights into the relationships between classes, class fractions and the state and its branches. While an analysis of the class dynamics of Canadian society

in a continental context are beyond the scope of this study, it is important to explore, in a limited way, some of the political dimensions of the power relations created by the continental economy.

III. The Canadian State in the Continental Economy

It would be absurd to suggest that the political boundary has not made a difference—a great difference—in the nature of the continental economic system. It is a system composed of two distinct nation states, one much larger and having a much more significant impact on the other. Nevertheless, there are two national political systems. As has already been demonstrated, the fact of a political boundary affects the economic system through the role of tariffs, by encouraging particular national bases for economic activities, through state rents on resources and through taxation policies.

The political boundary between Canada and the U.S., however, has not been an impediment to the penetration of U.S. foreign investment in the sphere of production (although in circulation, the 'turf' of Canadian capitalists has been protected). The fact of such extensive U.S. investment reflects political decisions to allow and encourage such a pattern of development. It has not occurred in spite of politicians but because they have permitted such a system to emerge. On the other hand, since they have allowed this to occur, the result has been to decrease national independence and allow much of the control over Canada's economy to shift outside the country to the board rooms of U.S. corporations. But, even within the country, the state does not control the decisions of corporations, whether national or foreign.

What does national sovereignty mean? It is the right, reinforced by might, to control and regulate developments within a territory. But at what point does this right become abdicated if it is not employed. What level of external control is necessary before the original right becomes de jure but not de facto? Certainly in the public domain the de facto rights of sovereignty are intact. But in liberal democracies, there remains a very large area of private control beyond the public domain. It is the former that has become eroded. It is only because of the public/private split of liberal democracies that foreign dominance can prevail in one domain but, to a lesser extent, in the other. But how far can this be carried?

Does not what happens in the private domain influence the public one? Most certainly it does and, as a result of this, when levels of foreign ownership become high, the autonomy of the state itself begins to be eroded. It is at this point that the various systems of power such as the state, military and economic become contingent upon one another. The political and military decisions of one nation begin to directly affect the other because their economies are so tightly intertwined.

For example, as early as 1902, Prime Minister Laurier was moved to say to Lord Dundonald, "You must not take the [Canadian] militia seriously, for though it is useful for suppressing internal disturbances; it will not be required for the defence of the country, as the Monroe Doctrine [of the U.S.] protects us against enemy aggression" (quoted in Brebner, 1945:277). Thus, within the world political system Canada is perceived of as being under the wing of U.S. military power, except for internal uprisings. This continues to remain the case some seventy years later. John Warnock's contemporary review of Canada's military policy in Partner to Behemoth, concludes that, "There is no doubt that the Cold War has intensified the problem of creating a Canadian nation and organizing a rational development of the economy" (1970:17).

The political constraints of foreign ownership greatly affect internal policies. In his review of the politics of northern development between 1968 and 1975, Edgar Dosman concludes that, "In most well-established countries, the development of a peripheral region would be largely a domestic issue. In Canada, however, the development of the North was inextricably linked to the issue of the Canadian relationship with a foreign power, the United States." The reason was because "northern development after 1968 affected Canadian trade relations with the United States, particularly oil and gas exports" (1975:xiv-xv). Consequently, internal development policies are made in light of the constraints of continuing cordial political and military relations with the U.S.

The capitalists who are actually establishing and benefiting from the politics of development cannot be expected to be guided by the best interests of the nation since they operate for private, not public interest. As John Porter has written, "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" (1965: 269).

On the other hand, state power (whether political, bureaucratic or judicial) is a very real power in liberal democracies. Ultimately, the state does have the power to make decisions about the very existence of private power. Private property is an institution granted by the state. It is thus territorially bound and sanctioned. In corporate capitalism, this is embodied in incorporation laws which sanction the operation of various corporations. Thus each charter issued by the state (federal or provincial) legitimizes the operation of foreign companies or national ones. Therefore, each and every incorporated company operates in Canada under the wish of the state and only at its consent. Canada is not a 'puppet state' because it is a liberal democracy, a society which maintains a distinction between public and private power. A socialist state where this dichotomy does not exist could not have the extent of foreign economic control that Canada has without in fact being a 'puppet.' But, even in liberal democracies, the public/private distinction is frequently transgressed and the extent to which this occurs reduces the sovereignty of the Canadian state.

The state's role in foreign investment in Canada is a complex one. In those areas where Canadian capitalists have been strong, the state has provided strong protection, particularly in areas such as banking, life insurance, trust companies, transportation, utilities and the mass media. In these areas, legislation prohibits foreign capitalists from owning sufficient stock to control or take over companies. However, legislation covering other areas such as retail trade, manufacturing and resources, although recommended by many government inquiries, has only recently been enacted. Moreover, the Foreign Investment Review Act simply reviews or examines proposed takeovers of Canadian companies by foreign capitalists and there are no across-the-board prohibitions, as in the case with legislation covering other areas, nor any effect on existing companies. The agency's track record since its inception is to approve 80 per cent of these takeovers; it is certainly not a major barrier to foreign capital.

For the state to carry out its various functions in society, it must gain revenues from the economic sphere. In a capitalist society, this means ensuring that the conditions necessary for the orderly extraction of economic surplus into private hands is facilitated. The Canadian state, in both its central and sub-central levels, finds itself caught in a paradox over foreign investment. On the one hand, the Canadian state elite has seen its capacity to extract a part of the economic surplus bound up with foreign capital and foreign markets. Thus, it has acted to facilitate foreign investment in productive activities and assist in searching out foreign markets. On the other hand, there has been growing pressure in opposition to foreign control and fear that sovereignty is being eroded. An enormous part of both federal (45 per cent) and provincial (41 per cent) corporate tax revenue comes from foreign controlled corporations. To continue to increase its revenues to meet the growing pressure on its purse, the state is forced to create a favourable investment climate for foreign capital. The common ground between the state and capitalists in a liberal democracy is that both are interested in growth and stability and both see corporate capitalism as the way to attain this goal. But inherent in corporate capitalism is the division between public and private power, the inequality within societies where some command great economic power and others are excluded and, as has been seen, inequality between nations where some gain at the expense of others.

The basic concern over foreign investment is that power is exercised in the board rooms of multinationals out of the reach of Canadians. Decisions on trade, employment, research and development, promotion of management and investment are all beyond the control of Canadians. But is this really a consequence of foreign investment or private investment? How much more control do the vast majority of Canadians have over the Royal Bank, Sun Life, Stelco, Eatons or MacMillan Bloedel than over General Motors of Canada, Imperial Oil, Kresge's, Crown Zellerbach or Canadian General Electric? Is it realistic to justify a call for decreasing foreign investment in the name of Canada's people? To some extent, there is a justifiable claim since Canadian based companies are potentially more susceptible to state regulation. However, the Canadian state has been very reluctant to tamper with the rights of corporate property, whether foreign or Canadian controlled.

The basic structure of corporations, based as they are on the claims of capital, invariably leads to a system of extractive power whereby those in 'command' positions remove degrees of freedom from those below and increase their own freedom. Private property, the most basic institution in both Canada and the U.S., remains the principle for organizing production and circulation. Besides being the foundation of the corporate form of organization and multinationals, private property is also transmitted between generations in the form of inheritance and remains important as a means of perpetuating privilege in both Canada and the U.S. However, in terms of recruiting highly skilled people without highly privileged backgrounds, the U.S. corporate system has proven more open than in Canada (although the two patterns are related). In the broader sense, private property remains the central institution of both societies, as it is in all liberal democracies, for it is private property as an institution which legitimizes and gives shape to the control structures of corporations. The power exercised by the economic elite is power made possible by private property concentrated into giant corporations. As long as the dominant mode of ownership continues to be private, the power of the economic elite will continue to dominate at the expense of the citizenry.

APPENDIX I

Foreign Ownership of Industrial Groups in Canada, 1972

Major Industry Group	% FOREIGN OWNERSHIP		
	50% or more Assets	Sales	Profits
Mining:			
Metal Mining	55	55	55
Mineral Fuels	79	90	84
Other Mining	58	65	94
TOTAL MINING	65	69	73
Manufacturing:			
Food	38	32	52
Beverages	18 ^t	17 ^t	16 ^t
Tobacco Products	83 ^t	80 ^t	77 ^t
Rubber Products	92	90	93
Leather Products	21	20	38
Textile Mills	56	53	61
Knitting Mills	22	17	33
Clothing Industries	13	10	20
Wood Industries	42	32	24
Furniture Industries	19	16	13
Paper and Allied Products	48	43	20
Printing, Publishing	10	11	11
Primary Metals	42*	38*	25*
Metal Fabricating	41	43	56
Machinery	74	77	85
Transportation Equipment	80	90	94
Electrical Products	66	68	73
Non-metallic Mineral Products	61	49	71
Petroleum and Coal Products	100	99	99
Chemicals	77	81	85
Misc. Manufacturing	46	48	71
TOTAL MANUFACTURING	56	56	65
Utilities:			
Transportation	11	10	22
Storage	9	11	10
Communication	13	12	12
Public Utilities	3	5	7
TOTAL UTILITIES	7	9	13
Wholesale Trade:	32	27	30
Retail Trade:	22	19	22
Finance:	10	9	17
TOTAL OF ALL INDUSTRIES	23	34	39
TOTAL OF ALL NON-FINANCIAL	34	36	45

NOTES: ^t for 1967, later data not available

*for 1971, data not reported in 1972

(Source: Corporations and Labour Unions Returns Act, Report for 1972, Part 1—Corporations, Statistics Canada, Ottawa, 1975:134-147)

APPENDIX II

Control of Industrial Groups in Canada, 1972

By Assets, Sales and Profits

	% U.S.			% Other Foreign			% Private Canadian			% Government		
	Assets	Sales	Profits	Assets	Sales	Profits	Assets	Sales	Profits	Assets	Sales	Profits
TOTAL MINING ^c	50	58	44	10	7	9	37	33	50	1	1	1
Manufacturing:												
Food	31	26	46	16	10	13	50	62	41	--	--	--
Beverages	16	20	18	14	11	9	68	68	73	--	--	--
Tobacco	12	24	14	73	53	79	15	23	7	--	--	--
Rubber	87	86	91	5	4	1	7	8	7	x	x	x
Leather	19	17	32	4	4	4	74	74	64	--	--	--
Textile	48	45	53	8	8	7	42	44	39	x	x	x
Knitting	20*	15*	29*	2*	1*	--	74	80	62	--	--	--
Clothing	11*	9*	16*	1*	--	--	78	80	78	--	--	--
Wood	23	21	14	7	5	-1	66	68	84	x	x	x
Furniture	18	15	10	1	1	3	73	73	81	--	--	--
Paper	32	31	40	14	12	-11	54	56	70	--	--	--
Printing	9	9	10	2	2	1	80	75	87	x	x	x
Primary Met.	34*	28*	20*	9	10	13	53*	57*	76*	5	5	5
Met. Fabric.	36	39	54	5	5	55	53	48	40	--	--	--
Machinery	65	70	81	9	7	5	24	21	14	--	--	--
Trans. Equip.	73	87	92	7	3	2	19	10	6	x	x	x
Electrical	56	59	65	10	9	8	34	31	29	x	x	x
Non-met. min.	15	21	28	50	32	47	33	43	24	x	x	x
Petro. coal	74	77	77	26	22	22	0	1	1	--	--	--
Chemicals	55	60	67	21	21	17	13	15	10	9	3	5
Misc. Manuf.	42	43	65	4	5	6	45	41	27	--	--	--
TOTAL MANUF.	41	47	55	15	10	11	41	40	34	1	--	--
Utilities:												
Transport.	11	10	34	1	2	3	40	51	73	45	30	-13
Storage	10*	6*	12*	1*	1*	--	88	81	90	--	--	--
Communics.	13*	12*	11*	--	--	1*	66	69	81	20	17	6
Public Util.	2	4	7	4	1	2	12	22	27	81	72	64
TOTAL UTIL.	8	9	17	2	2	2	33	47	62	56	38	18

Appendix II (cont'd)

Wholesale Trade:	17	16	25	17	13	8	53	62	57	5	2	5
Retail Trade:	14	13	11	9	7	9	57	58	33	2	6	41
TOTAL Non-Fin.:	25	28	36	10	8	8	43	50	44	17	5	9

NOTES: ^c in 1971, U.S. assets 59%, other 10%, Canadian 29%
 U.S. sales 70%, other 6%, Canadian 23%
 U.S. profits 74%, other 6%, Canadian 23% (CALURA Report for 1972, reclassified INCO as
 Canadian controlled)
 * for 1971

(Source: Corporations and Labour Unions Returns Act, Report for 1972, Part 1--Corporations, Statistics
 Canada, Ottawa, 1975:154-167)

APPENDIX IIIa

Insurance in Force of the 13 Dominant Canadian Life Insurance Companies in
Canada, United States and United Kingdom, 1970

Company	Total In Force (000,000)	% Of All In Force	Canada (000,000)	%	United States (000,000)	%	United Kingdom (000,000)	%	In Force in Can., U.S., U.K.
Sun Life	18,924	17	11,110	58	4,928	26	1,839	10	94
Manufacturers	9,119	8	2,957	32	4,423	49	749	8	89
London Life	11,417	10	11,417	99.9	6	.1	--	--	100
Great West	10,603	10	5,991	56	4,613	44	--	--	100
Mutual Life	6,972	6	6,951	99.7	20	.2	--	--	100
Confederation	7,640	7	4,793	63	2,044	27	480	6	96
N. American Life	5,406	5	3,201	59	1,803	33	3	--	92
Canada Life	8,776	8	6,386	73	1,492	17	758	9	99
Dominion	2,065	2	1,202	58	754	36	1	--	94
Excelsior	1,905	2	1,898	99.6	6	.3	--	--	100
Crown Life	7,661	7	3,667	48	3,481	45	317	4	97
National	1,993	2	1,473	74	434	22	--	--	96
Imperial	2,879	3	2,060	72	85	3	610	21	96
		<u>87</u>							
All Canadian Life Insurance	109,241	100	76,774	70	24,225	22	4,758	4	96

(Source: calculated from The Report to the Superintendent of Insurance, Vol. 1 and Vol. 3, 1970;
Canada Year Book, 1972)

APPENDIX IIIB

Assets of Dominant Canadian Life Insurance Companies
Held Outside of Canada, 1970

COMPANY	Total Assets (000,000)	Assets Outside of Canada (000,000)	Percentage Outside Canada
Sun Life	3,643	1,940	53
Manufacturers	2,039	1,114	55
London Life	1,614	—	—
Great West	1,470	560	38
Mutual Life	1,216	5	.3
Confederation	799	262	33
North American	701	177	25
Canada Life	1,308	480	37
Dominion Life	354	98	25
Excelsior Life	248	—	—
Crown Life	729	285	39
National Life	232	25	11
Imperial Life	<u>498</u>	<u>109</u>	<u>22</u>
TOTAL DOMINANT	14,851	4,055	27.3%
Average of 10 Multinationals			33.8%

(Source: Calculated from The Report of the Superintendent of Insurance,
1970, Vol. 1 and Vol. 3)

APPENDIX IIIc

Insurance in Force of Dominant Canadian Life Insurance Companies,
with Holdings Outside of Canada, United States and United Kingdom, 1970
(Insurance in Force in Millions)

	All Canadian Life Insurance Outside Can., U.S. & U.K.	Sun Life	Manufacturers	Confederation	North American	Canada Life	Dominion Life	Crown Life	National Life	Imperial Life
South Africa	1,214.985 (35%)	759.279 (72%)	455.573 (46%)							
Jamaica	733.877 (21%)	17.883 (2%)	133.388 (13%)	85.437 (26%)	260.732 (65%)		71.557 (66%)		43.707 (51%)	56.793 (46%)
Trinidad & Tobago	269.965 (8%)		.085 --	99.351 (31%)		15.763 (11%)		61.238 (31%)		14.529 (12%)
Ireland	209.438 (6%)					133.742 (89%)				
Bahamas	163.420 (5%)	1.547	8.407 (1%)		13.178 (3%)		35.716 (33%)	51.983 (27%)	.155	51.695 (42%)
Philippines	151.174 (4%)	102.681 (10%)	47.052 (5%)					.385		
Israel	151.856 (4%)		151.835 (15%)							
Guyana	121.126 (3%)		5.852 (1%)		110.676 (28%)			4.598 (2%)		
Dominican Republic	106.096 (3%)	7.112 (1%)		98.606 (30%)				.378		
Rhodesia	74.417 (2%)	33.365 (3%)	41.052 (4%)							
Neth. Antilles	53.855 (2%)	.101	25.955 (3%)	1.860 (1%)				36.607 (8%)	9.332 (11%)	(384)
Bermuda	40.559 (1%)		10.468 (1%)	.027	14.844 (4%)		.550 (1%)	6.397 (3%)	6.361 (7%)	.207
Venezuela	20.630 (1%)			20.630 (6%)						--

(Source: see Appendix IIIa)

APPENDIX IVa

Branches of Canadian Chartered Banks Outside Canada, 1972

Bank and Location	Number	Bank and Location	Number
Bank of Montreal	10	Royal Bank of Canada	85
England	2	Antigua	1
Germany	2	Argentina	3
Grand Cayman	1	Bahamas	11
United States	5	Barbados	3
Bank of Nova Scotia	69	British Honduras	4
Antigua	1	Colombia	6
Bahamas	9	Dominica	1
Barbados	4	Dominican Republic	12
Belgium	1	England	2
British Honduras	2	France	1
British Virgin Islands	1	Grand Cayman	1
Dominican Republic	5	Grenada	2
England	5	Guadeloupe	1
Germany	1	Guyana	7
Grand Cayman	1	Haiti	1
Greece	2	Lebanon	2
Grenada	1	Martinique	1
Guyana	1	Montserrat	1
Haiti	1	Puerto Rico	6
Ireland	1	St. Kitts	1
Lebanon	1	St. Lucia	2
Netherlands	1	St. Vincent	1
Northern Ireland	1	Trinidad & Tobago	13
Puerto Rico	4	United States	1
St. Lucia	2	U.S. Virgin Islands	1
St. Martin	1		
Scotland	2	Toronto-Dominion Bank	4
Trinidad & Tobago	14	British Virgin Islands	2
United States	2	England	2
U.S. Virgin Islands	5		
Canadian Imperial Bank of		Banque Canadienne Nationale	1
Commerce	57	France	1
Antigua	1		
Bahamas	4	TOTAL	226
Barbados	3		
England	2		
Grand Cayman	1		
Grenada	1		
Jamaica	10		
St. Lucia	1		
St. Vincent	1		
Trinidad & Tobago	10		
United States	23		

NOTE: This table does not include sub-agencies operating outside Canada, of which there were 45 in 1972.

(Statistics Canada, Canada Year Book 1973:792)

APPENDIX IVb

Foreign Holdings of Canadian Banks, 1971

Royal Bank of Canada

- 100% The Royal Bank of Canada International Ltd.
- 100% The Royal Bank of Canada (France) Ltd.
- 100% The Royal Bank of Canada (Middle East) S.A.L.
- 100% The Royal Bank of Jamaica Ltd.
- 100% The Royal Bank of Trinidad & Tobago Ltd.
- 100% The Royal Bank of Canada Trust Company: New York
- 100% The Royal Bank Trust Company (West Indies) Ltd.
which has the following subsidiaries:
 - Royal Bank Trust Company (Jamaica) Ltd.
 - Royal Bank Trust Company (Barbados) Ltd.
 - Royal Bank Trust Company (Trinidad) Ltd.
 - Royal Bank Trust Company (Guyana) Ltd.
 - Royal Bank Trust Company (Cayman) Ltd.

Jointly with 6 other financial institutions RoyWest Banking Corp.: Bahamas

50% Banco Real do Canada, SA

20% Royal Benezolanao, CA

25% Banque Belge pour l'Industrie, SA

10% Private Investment Company for Asia, SA

Union Internationale de Financement et du Participation, SA

Canadian Imperial Bank of Commerce

- 100% California Canadian Bank
- 100% The Canadian Bank of Commerce Trust Co.: New York
- 100% Canadian Imperial Bank of Commerce Trust Co. (Cayman) Ltd.

Bank of Montreal

- 100% Bank of Montreal (California)
- 100% Bank of Montreal (Bahamas & Caribbean) Ltd.
- 100% Hochelaga Holdings, NV
- 100% Hochelaga Jamaica Ltd.
- 10% Banque Transatlantique: France
- 9% Joh. Berenberg, Gossler & Co.: Germany
- Banco La Guaira International CA: Venezuela
- 20% Australian International Finance Corp. Ltd.
- 40% Montfield Trust Co.: Bermuda
- 50% (plus) Private Investment Co. for Asia, SA

The Bank of Nova Scotia

- 100% The Bank of Nova Scotia NV
- 100% BNS International
- 100% BNS International (Bahamas) Ltd.
- 100% BNS International (Sterling Bahamas) Ltd.
- 100% Scotia Nominees Ireland Ltd.
- 60% The Bank of Nova Scotia Trust Co. (Bahamas) Ltd.
which has the following subsidiaries:
 - The Bank of Nova Scotia Trust Co. of Jamaica Ltd.
 - The Bank of Nova Scotia Trust Co. of the West Indies Ltd.

Appendix IV b (cont'd)

- The Bank of Nova Scotia Trust Co. (Cayman) Ltd.
- The Bank of Nova Scotia Trust Co. (Caribbean) Ltd.
- 100% The Bank of Nova Scotia Trust Co. (United Kingdom) Ltd.
- 100% The Bank of Nova Scotia Trust Co. of New York
- 70% The Bank of Nova Scotia Jamaica Ltd.
- 67% The West Indian Co. of Merchant Bankers Ltd.
- 40% Bermuda National Bank Ltd.
- 30% Maduro & Curriel's Bank NV: Netherlands Antilles
- United International Bank Ltd. (Unibank) with 10 other banks
- Eurofinance with 17 other banks

The Toronto-Dominion Bank

- 100% Toronto-Dominion Bank of California
- 100% Toronto-Dominion Bank Investments (U.K.) Ltd.
- 40% International Consolidated Investments Ltd.: South East Asia
- 29% World Banking Corporation: Nassau
- 10% United Malayan Banking Corporation BHD: Malaysia and Singapore
- 15% Allied Irish Investment Bank Ltd.
- 26% Midland and International Banks Ltd.; London Headquarters

(Source: The Financial Post Survey of Industrials, 1972)

APPENDIX V

Determining U.S. Dominant Corporations

There are two dimensions of economic concentration. One is bigness or "superconcentration" which groups all industries together to illustrate aggregate concentration and the other, market concentration which restricts measures to specific industries. Since the present purpose is to analyse first only key, or the largest, sectors and industries and second, only the largest corporations within these sectors, the method used here to determine dominant corporations will include both internal and external comparisons based on broad industrial categories, comparing the largest corporations within particular sectors and taking comparable ones in other sectors. Plant concentration (the enterprise level) is useful if the focus is on production, which is the case for many economists. However, the five-digit Standard Industrial Classification (SIC) used in this type of analysis understates the degree of inter-sector concentration. If economy-wide concentration is to be evaluated (sometimes called 'superconcentration'), then focus must be on ownership and control rather than on production. For purposes of control, it is the parent organization, not the plant, that is important. This calls for a less 'refined' SIC classification to minimize the extent of inter-classification overlap.

Occasionally, there are disparities between the Fortune data and reports filed with the Securities and Exchange Commission (SEC). In these cases, the SEC data are used. Typically, only the sales and revenue figures, and not the assets, are affected. Remarks concerning Fortune categories (like the top 500, top 1000) use the Fortune rather than SEC figures.

The results of these procedures are summarized in Appendix VI, grouping corporations by their SIC categories and will be discussed under the following sections. By comparing corporations within their sectors and between sectors and measuring with a combination of assets and revenue (at times it was necessary to use deposits, insurance in force or a similar measure in place of revenue, but consistency was maintained within sectors), this produces a composite rank (COMP RANK) for each section. As a result of these procedures, 194 parent corporations were considered to be dominant, including 35 corporations in finance, 10 in trade, 17 in transportation, 16 in utilities, 13 in resources and 103 in manufacturing.

NOTE: For an elaboration of the method being used to determine dominant corporations, see Clement, 1975:396-399. These are the same procedures used to determine Canada's 113 dominant corporations.

APPENDIX VI

FINANCE

1-Commercial Banks, 1973 (ranked by assets & deposits)

COMP RANK	Name	Assets (Billions)	Deposits (Billions)	Net Income (Millions)
1	Bank America Corp.	49.405	41.454	221.074
2	First National City Corp.	44.019	34.942	252.019
3	Chase Manhattan Corp.	36.791	29.913	163.095
4	J.P. Morgan & Co.	20.375	15.367	143.777
5	Manufacturers Hanover	19.850	17.210	99.406
6	Chemical New York	18.592	14.374	66.600
7	Bankers Trust N.Y.	18.515	14.705	60.637
8	Western Bancorp.	17.903	14.245	76.037
9	Continental Illinois	16.870	12.598	85.470
10	First Chicago Corp.	15.559	12.042	90.849
11	Security Pacific Corp.	13.479	11.404	59.861
12	Marine Midland Banks	13.044	10.989	45.822
13	Wells Fargo & Co.	11.768	9.017	43.459
14	Charter New York	9.739	8.232	32.211
15	Crocker National	9.770	8.015	32.078
16	Mellon National	9.601	7.282	64.915
17	First National Boston	8.005	6.180	51.624
18	National Detroit	6.712	5.423	40.140
19	Northwest Bancorp	6.517	5.193	45.651
20	First Bank System	6.514	4.890	51.752
Total Dominant Banks		353.028	283.384	
All Commercial Banks*		842.9	687.6	
Top 50 Banks		459.0	364.7	
Top 50 as Per Cent of all		54.5%	53.0%	
Dominant as Per Cent of all		41.9%	41.2%	

NOTE: *Based on U.S. Federal Deposit Insurance Corporation, Assets and Liabilities: Commercial and Mutual Savings Banks. If the Board of Governors of the Federal Reserve System's Federal Reserve Bulletin aggregate data is used, the proportion of assets for the dominant companies would be 42.4 per cent and for the Top 50, 54.9 per cent, for sales; they would be 41.5 per cent and 53.4 per cent, respectively.

Appendix VI (cont'd)

2-Life Insurance, 1973 (ranked by assets and insurance in force)

COMP RANK	Name	Assets (Billions)	Insurance in Force (Billions)	Net Income (Millions)
1	Prudential	34.964	197.428	1,815.694
2	Metropolitan	31.986	198.185	1,752.018
3	Equitable Life	17.153	97.508	864.278
4	John Hancock	11.447	75.056	581.045
5	Aetna Life	8.934	71.507	485.208
6	New York Life	12.472	62.843	667.966
7	Travelers Life	6.001	64.759	297.361
8	Connecticut General	6.622	41.429	363.283
9	Northwestern	7.096	25.722	397.516
Total Dominant Life Insurance		136.675	834.437	
Total Life Insurance*		252.4	1,778.3	
Top 50 Life Insurance		204.849	1,274.7	
Top 50 as Per Cent of all		81.1%	71.7%	
Dominant as Per Cent of all		54.2%	46.9%	

NOTE: *Aggregate data from Institute of Life Insurance, New York, N.Y.,
Life Insurance Fact Book.

3-Other Finance, 1973 (ranked by assets & revenue)

COMP RANK	Name	Assets (\$ Billions)	Operating Revenue (\$ Billions)	Net Income (\$ Millions)
1	American Express	6.619	1.905	150.906
2	Transamerica	4.630	2.110	89.274
3	CNA Financial	4.593	1.773	15.798
4	Continental Corp.	4.474	1.652	137.736
5	Lincoln National	4.100	1.187	95.568
6	INA	3.617	1.895	131.772
Average		28.033 (4.672)	10.522 (1.754)	

Appendix VI (cont'd)

TRADE

4-Retail Trade, 1973 (ranked by assets and sales)

COMP RANK	Name	Assets (\$ Billion)	Sales (\$ Billion)	Net Income (\$ Million)
1	Sears, Roebuck	10.427	12.306	679.902
2	J.C. Penney	2.440	6.244	185.769
3	Marcor	2.848	4.077	96.652
4	Safeway	1.341	6.774	86.271
5	S.S. Kresge	1.653	4.633	138.251
6	F.W. Woolworth	1.974	3.722	98.474
7	Federated Department	1.515	2.966	113.732
8	Great Atlantic & Pac.	1.019	6.748	12.227
9	Kroger	.950	4.205	29.916
10	W.T. Grant	1.253	1.854	8.429
		<u>25.420</u>	<u>53.529</u>	
Average		2.542	5.353	

5-Railways

COMP RANK	Name	Assets (\$ Billion)	Operating Revenue (\$ Billion)	Net Income (\$ Million)
1	Penn Central	4.263	1.964	(172.55)
2	Southern Pacific	3.415	1.551	100.537
3	Burlington Northern	3.082	1.332	51.514
4	Union Pacific	2.828	1.224	127.107
5	Chessie System	2.611	1.124	66.667
6	Santa Fe	2.483	1.219	102.781
7	Norfolk & Western	2.401	.903	68.328
8	Southern	1.841	.779	67.202
		<u>22.924</u>	<u>10.096</u>	
Average		2.866	1.262	

6-Airlines

COMP RANK	Name	Assets (\$ Billion)	Operating Revenue (\$ Billion)	Net Income (\$ Million)
1	UAL	2.417	2.060	51.128
2	Trans World	1.920	1.811	46.476
3	American Airlines	1.687	1.482	(48.046)
4	Pan American	1.684	1.433	(18.402)
5	Eastern	1.433	1.260	(51.269)
6	Delta	.908	1.050	65.995
7	Northwest	1.086	.584	51.850
		<u>11.135</u>	<u>9.680</u>	
Average		1.591	1.383	

Appendix VI (cont'd)

7-Other Transportation

COMP RANK	Name	Assets (\$ Billion)	Operating Revenue (\$ Billion)	Net Income (\$ Million)
1	Greyhound	1.309	3.409	76.408
2	Seaboard Coastline	2.441	1.230	75.794
		3.750	4.639	
Average		1.875	2.320	

UTILITIES

8-Gas & Electric

1	AT&T	67.051	23.527	2,993.256
2	Con Edison	5.968	1.736	207.707
3	Tenneco	5.427	3.911	230.211
4	Pacific Gas & Electric	5.471	1.490	243.607
5	Southern Co.	5.378	1.166	148.198
6	Commonwealth Edison	4.649	1.266	184.437
7	Southern Calif. Edison	3.990	1.079	147.731
8	Public Service Gas & El.	3.897	1.076	150.023
9	American Electric Power	5.071	.967	182.612
10	Columbia Gas	2.597	1.049	106.230
11	Philadelphia Electric	3.176	.767	122.867
12	Consumers Power	2.845	.835	80.893
13	Detroit Edison	3.061	.753	100.132
14	Texas Eastern	2.289	.827	88.551
15	El Paso Natural Gas	1.917	.983	68.169
16	General Public Util.	3.034	.662	92.757
		125.821	42.094	
Average		7.864	2.631	

RESOURCES

9-Metal Mining

COMP RANK	Name	Assets (\$ Billion)	Sales (\$ Billion)	Net Income (\$ Million)
1	Kennecott Copper	1.977	1.395	159.407
2	American Metal Climax	1.712	1.337	105.102
		3.689	2.732	
Average		1.845	1.366	

Appendix VI (cont'd)

10-Oil & Gas Extraction

COMP RANK	Name	Assets (\$Billion)	Sales (\$Billion)	Net Income (\$Million)
1	Exxon	25.080	25.724	2,443.286
2	Mobil Oil	10.690	11.390	849.312
3	Gulf Oil	10.074	8.417	800.000
4	Standard (Ind.)	7.081	6.379	511.249
5	Shell Oil	5.381	5.701	332.694
6	Continental	3.693	4.472	242.664
7	Phillips	3.607	2.990	230.411
8	Occidental	2.871	3.456	79.763
9	Union Oil (Cal.)	2.909	2.552	108.170
10	Sun Oil	3.382	2.286	229.731
11	Amerada Hess	1.922	1.896	245.765
		<u>76.690</u>	<u>75.263</u>	
Average		6.972	6.842	

MANUFACTURING

11-Food

1	General Foods	1.729	2.632	110.449
2	Kraftco	1.391	3.602	103.428
3	Borden	1.448	2.554	72.962
4	Esmark	1.088	3.951	48.802
5	Beatrice	1.088	2.787	90.391
6	Ralston Purina	1.133	2.434	77.550
7	United Brands	1.238	1.991	25.363
8	CPC International	1.201	1.874	75.493
9	Consolidated	1.008	2.043	72.133
		<u>11.324</u>	<u>23.868</u>	
Average		1.258	2.652	

12-Beverages

1	Coca-Cola	1.394	2.145	214.981
2	PepsiCo	1.150	1.727	79.596
		<u>2.544</u>	<u>3.872</u>	
Average		1.272	1.936	

13-Tobacco

1	R.J. Reynolds	2.612	3.295	263.569
2	American Brands	2.161	3.096	131.298
3	Philip Morris	2.108	2.603	148.632
		<u>6.881</u>	<u>8.994</u>	
Average		2.294	2.998	

Appendix VI (cont'd)

14-Textiles

COMP RANK	Name	Assets (\$ Billion)	Sales (\$ Billion)	Net Income (\$ Million)
1	Burlington Industries	1.582	2.100	82.391

15-Apparel Products

1	Rapid American	1.756	2.697	29.529
---	----------------	-------	-------	--------

16-Paper & Wood Products

1	Minnesota Mining & Mfg.	2.281	2.546	295.527
2	Weyerhaeuser	2.327	2.302	348.811
3	International Paper	2.197	2.314	159.800
4	Georgia-Pacific	2.002	2.229	162.810
5	Champion Int'l	1.700	2.208	86.757
6	Boise Cascade	1.585	1.324	141.850
7	Crown Zellerbach	1.238	1.364	102.597
		<u>13.330</u>	<u>14.287</u>	
Average		1.904	2.041	

17-Chemicals

1	E.I. du Pont	4.832	5.276	585.600
2	Union Carbide	4.163	3.939	290.942
3	Dow Chemical	3.896	3.086	275.568
4	Monsanto	2.545	2.648	238.300
5	W.R. Grace	2.004	2.808	84.636
6	Allied Chemical	1.763	1.665	95.071
7	Celanese	1.747	1.609	81.000
8	American Cyanamid	1.442	1.472	113.962
9	Borg-Warner	1.172	1.550	113.601
		<u>23.564</u>	<u>24.035</u>	
Average		2.618	2.671	

18-Petroleum Refining

1	Texaco	13.595	11.407	1,292.403
2	Standard (Cal.)	9.082	7.762	843.577
3	Atlantic Richfield	5.109	4.489	270.185
4	Cities Service	2.660	2.035	146.900
5	Getty Oil	2.355	1.741	142.237
6	Ashland Oil	1.437	2.361	85.219
7	Standard (Ohio)	1.964	1.482	89.385
8	Marathon Oil	1.572	1.579	143.347
9	Pennzoil	2.001	1.059	83.661
		<u>39.775</u>	<u>33.915</u>	
Average		4.419	3.768	

Appendix VI (cont'd)

19-Rubber				
COMP RANK	Name	Assets (\$ Billion)	Sales (\$ Billion)	Net Income (\$ Millions)
1	Goodyear	3.871	4.675	184.756
2	Firestone	2.669	3.155	164.861
3	Uniroyal	1.581	2.083	47.094
4	B.F. Goodrich	1.475	1.661	56.057
5	General Tire	1.234	1.380	76.846
		<u>10.830</u>	<u>12.954</u>	
Average		2.166	2.591	

20-Pharmaceuticals				
1	Warner-Lambert	1.389	1.670	138.638
2	American Home Prod.	1.126	1.784	199.155
3	Johnson & Johnson	1.189	1.612	148.378
4	Pfizer	1.408	1.284	120.699
		<u>5.112</u>	<u>6.350</u>	
Average		1.278	1.588	

21-Soaps & Cosmetics				
1	Procter & Gamble	2.687	3.907	302.103
2	Colgate-Palmolive	1.151	2.195	88.769
		<u>3.838</u>	<u>6.102</u>	
Average		1.919	3.051	

22-Glass, Cement & Concrete				
1	Owens-Illinois	1.643	1.857	130.931
2	PPG Industries	1.491	1.513	104.448
		<u>3.134</u>	<u>3.370</u>	
Average		1.567	1.685	

23-Metal Manufacturing				
1	U.S. Steel	6.919	6.952	325.758
2	Bethlehem Steel	3.919	4.138	206.609
3	LTV	1.829	4.175	49.888
4	Armco Steel	2.259	2.390	107.454
5	Aluminum Co. of Amer.	2.821	2.157	104.188
6	National Steel	2.024	2.103	98.072
7	Republic Steel	1.862	2.069	86.744
8	Reynolds Metals	2.118	1.450	45.139
9	Inland Steel	1.559	1.829	83.129
10	Kaiser Aluminum	1.815	1.280	44.538
11	Anaconda	1.690	1.343	88.053
12	Illinois Central Ind.	1.737	1.172	58.285
13	Lykes-Youngstown	1.482	1.092	36.408
14	Eaton	1.140	1.550	85.601
		<u>33.174</u>	<u>33.700</u>	
Average		2.370	2.407	

Appendix VI (cont'd)

24-Metal Products

COMP RANK	Name	Assets (\$ Billion)	Sales (\$ Billion)	Net Income (\$ Million)
1	Continental Can	1.753	2.540	95.169
2	American Can	1.544	2.182	66.423
3	Burroughs	<u>1.696</u>	<u>1.264</u>	115.890
		4.993	5.986	
Average		1.664	1.995	

25-Appliances, Electronics

1	General Electric	8.324	11.575	585.100
2	ITT	10.133	10.183	527.837
3	Westinghouse	4.408	5.702	161.928
4	RCA	3.301	4.247	183.700
5	Singer	<u>1.897</u>	<u>2.528</u>	94.500
		28.063	34.235	
Average		5.613	6.847	

Dominant Subsidiaries*

	General Tel. & Elec.	10.749	5.105	352.076
	Western Electric	<u>4.828</u>	<u>7.037</u>	315.305
		15.577	12.142	
Average		7.789	6.071	

NOTE: *Both dominant subsidiaries are 100% owned by American Telephone & Telegraph, dominant in utilities.

26-Measuring, Scientific & Photographic

1	Eastman Kodak	4.302	4.036	653.475
2	Xerox	<u>3.102</u>	<u>2.990</u>	300.484
		7.404	7.026	
Average		3.702	3.513	

27-Motor Vehicles & Parts

1	General Motors	20.297	35.798	2,398.103
2	Ford	12.954	23.015	906.500
3	Chrysler	6.105	11.774	255.445
4	Bendix	1.427	2.230	68.700
5	Signal Companies	<u>1.378</u>	<u>1.711</u>	58.371
		42.161	74.528	
Average		8.432	14.906	

Appendix VI (cont'd)

28-Aircraft & Parts				
COMP RANK	Name	Assets (\$ Billion)	Sales (\$ Billion)	Net Income (\$ Million)
1	McDonnell Douglas	2.503	3.003	129.529
2	Lockheed	1.855	2.757	16.812
3	Boeing	1.683	3.335	51.215
4	TRW	1.446	2.165	95.068
5	United Aircraft	1.266	2.289	58.136
6	Textron	1.310	1.859	100.837
7	General Dynamics	.994	1.642	41.343
		<u>11.057</u>	<u>17.050</u>	
Average		1.580	2.456	

29-Farm & Industrial Machinery				
1	International Harvester	2.813	4.193	114.296
2	Caterpillar Tractor	2.233	3.182	246.845
3	Deere	1.761	2.003	168.479
4	FMC	1.380	1.719	79.190
		<u>8.187</u>	<u>11.097</u>	
Average		2.047	2.774	

30-Office Machinery				
1	IBM	12.290	10.993	1,575.467
2	Honeywell	2.583	2.391	103.885
3	Litton Industries	2.116	2.468	43.030
4	Sperry Rand	1.841	2.229	90.057
5	NCR	1.834	1.816	71.961
		<u>20.664</u>	<u>19.897</u>	
Average		4.133	3.979	

31-Other Machinery				
1	Rockwell International	2.014	3.179	103.983
2	Gulf & Western	2.364	1.927	89.216
3	American Standard	1.172	1.529	39.523
4	Teledyne	1.230	1.456	65.363
		<u>6.780</u>	<u>8.091</u>	
Average		1.695	2.023	

APPENDIX VII

Average Sizes of Dominant U.S. Corporations by Sector

Sector	Number	Assets	Sales (or)
			(\$ Billions)
<u>FINANCE</u>			
Banks	20	17.651	14.169 (deposits)
Life Insurance	9	15.186	92.715 (insurance in force)
Other Finance	6	4.627	1,754 (operating revenue)
<u>TRADE</u>	10	2.542	5.353 (operating revenue)
<u>TRANSPORTATION</u>			
Railways	8	2.866	1.262 (operating revenue)
Airlines	7	1.591	1.383 (operating revenue)
Other Transportation	2	1.875	2.320 (operating revenue)
<u>UTILITIES</u>	16	7.864	2.631 (operating revenue)
<u>RESOURCES</u>			
Metal Mining	2	1.845	1.366
Oil & Gas Extraction	11	6.972	6.842
<u>MANUFACTURING</u>			
Food	9	1.258	2.652
Beverages	2	1.272	1.936
Tobacco	3	2.294	2.998
Textiles	1	1.582	2.100
Apparel	1	1.756	2.697
Paper & Wood	7	1.904	2.041
Chemicals	9	2.618	2.671
Petroleum Refining	9	4.419	3.768
Rubber	5	2.166	2.591
Pharmaceuticals	4	1.278	1.588
Soaps & Cosmetics	2	1.919	3.051
Glass, Cement & Concrete	2	1.567	1.685
Metal Manufacturing	14	2.370	2.407
Metal Products	3	1.664	1.995
Appliances, Electronics	7*	6.234	6.625
Measuring, Scientific	2	3.702	3.513
Motor Vehicles & Parts	5	8.432	14.906
Aircraft & Parts	7	1.580	2.456
Farm & Indus. Machinery	4	2.047	2.774
Office Machinery	5	4.133	3.979
Other Machinery	4	1.695	2.023

*Includes two dominant subsidiaries.

APPENDIX VIII

Interlocks Among 194 Dominant U.S. Corporations

# Interlocks	# Companies	
53	1	Citibank
44	1	J.P. Morgan
43	1	Metropolitan Life
41	1	Manufacturers Hanover
40	1	Chemical N.Y.
39	1	First Chicago
38	1	AT&T
37	1	N.Y. Life
36	1	General Motors
35	1	Continental Illinois
34	1	IBM
33	1	Chase Manhattan
30	1	U.S. Steel
27	1	Westinghouse
26	2	General Foods; Equitable Life
25	4	Mellon National; Kraftco; Continental Can; American Express
24	6	National Detroit; Sears, Roebuck; General Electric; Chrysler; Caterpillar Tractor; Bank America
23	2	Bankers Trust N.Y.; Continental Corp.
22	2	International Harvester; Union Carbide
20	2	Southern Pacific; Con. Edison
19	5	Western Bancorp; Federated Dept.; Commonwealth Edison; Kennecott Copper; Goodyear
17	3	Pan American; Uniroyal; Charter N.Y.
16	10	Northwestern; S.S. Kresge; Mobil Oil; Borg-Warner; National Steel; W.R. Grace; Standard Oil (Cal.); Continental; Proctor & Gamble; Exxon
15	7	Wells Fargo; Aetna Life; Burlington Northern; Atlantic Richfield; Alcoa; TRW; Trans World
14	8	Prudential; Union Pacific; Detroit Edison; Esmark; Singer; Eastman Kodak; Bendix; NRC
13	9	UAL, Pacific Gas & Electric; Borden; Allied Chemical; Bethlehem Steel; 3M; FMC; Getty Oil; Burroughs
12	15	Crocker National; Security Pacific; INA; Marcor; Great A&P; Ralston Purina; International Paper; Colgate-Palmolive; Republic Steel; American Can; Ford; United Aircraft; General Dynamics; Honeywell; Rockwell International
11	5	First Bank System; John Hancock; Anaconda; Southern California Edison; ITT
10	10	Northwestern Bancorp; CPC Int'l; E.I. du Pont; Inland Steel; Illinois Central Industries; Boeing; Sperry Rand; American Standard; Celanese; Standard Oil (Ind.)
9	12	Safeway; Santa Fe; Public Service Gas & Electric; Shell Oil; Union Oil (Cal.); PepsiCo; Champion Int'l; Monsanto; B.F. Goodrich; American Home Prod.; RCA; Owens-Illinois

Appendix VIII (cont'd)

8	13	Marine Midland; First National Boston; American Airlines; Northwest; Consumer Power; AMAX; Texaco; Cities Services; Standard (Ohio); Warner-Lambert; Armco Steel; Eaton; Lockheed
7	12	CNA Financial; J.C. Penney; Southern; Eastern; American Electric Power; Beatrice; R.J Reynolds; Burlington Industries; Crown Zellerbach; PPG Industries; Deere; Litton Industries
6	13	Travellers Life; Transamerica; Lincoln National; F.W. Woolworths; Norfolk & Western; Gulf Oil; Consolidated Foods; Inland Steel; Seaboard; Xerox; Textron; Reynolds Metals; Kaiser Aluminum
5	9	W.T. Grant; Weyerhaeuser; Greyhound; Texas Eastern; El Paso Natural Gas; Georgia Pacific; Boise Cascade; American Cyanamid; Lykes-Youngstown
4	6	Tenneco; Amerada Hess; Firestone; Pfizer; Coca-Cola; United Brands
3	6	Connecticut General Insurance; Phillips; Sun Oil; Philip Morris; Marathon Oil; Southern
2	5	Kroger; Penn Central; Philadelphia Electric; McDonnell Douglas; Delta
1	6	Columbia Gas; General Public Utilities; American Brands; Dow Chemical; LTV; Teledyne
0	8	Chessie System; Occidental; Rapid American; Ashland Oil; Pennzoil; General Tire; Johnson & Johnson; Gulf & Western

APPENDIX IX

Interlocks Among Dominant U.S. and Canadian Corporations

	U.S.			Canada (All)			Canadian Controlled		
	Number	Percent	Cumulative Percent	Number	Percent	Cumulative Percent	Number	Percent	Cumulative Percent
Over 50	1	0.5	0.5	5	4.4	4.4	5	8.6	8.6
40-49	4	2.1	2.6	3	2.7	7.1	3	5.2	13.8
30-39	8	4.1	6.7	12	10.6	17.7	11	19.0	32.8
25-29	7	3.6	10.3	8	7.1	24.8	5	8.6	41.4
20-24	12	6.2	16.5	8	7.1	31.9	4	6.9	48.3
15-19	25	12.9	24.9	15	13.3	45.2	10	17.2	65.5
10-14	47	24.2	53.6	12	10.6	55.8	3	5.2	70.7
5-9	59	30.4	84.0	20	17.7	73.5	9	15.3	85.6
0-4	31	16.0	100.0	30	26.6	100.0	8	13.8	100.0
Total	194	100%		113	100%		58	100%	

APPENDIX X

Studies of the U.S. Economic Elite and Executives

Over the years, there have been a variety of studies of U.S. economic elites and executives. None of these studies are directly comparable to the one undertaken here. Nevertheless, these studies are important sources of information for determining broader trends within the upper reaches of U.S. corporate power. It is not possible to systematically provide comparable data for Canada to that of the U.S. because much less work has been done on these questions in Canada.

The early U.S. studies fall into three types: those of 'business leaders' using mail questionnaires, studies of wealth and power using less systematic but more detailed interest group analysis and 'elite' studies using biographical data. The first type includes the study of prominent 'business leaders' for 1928 by Taussig and Joslyn, later replicated for 1952 by Warner and Abegglen (to be discussed later), which is based on 49 per cent of the usable questionnaires of over 15,000 sent (1932:9, 23). The major weakness of this study, and others like it, is the looseness of the definition of 'business leader,' whom they identify as "a person occupying a position of major executive, partner, or sole owner in a business of such size as to be of more than local importance" (31). Nevertheless, their study seriously questions the dominant ideology of openness to the business class in general. As with many of these studies, Taussig and Joslyn found that many ascriptive characteristics such as region of birth, particularly in the North East, have had a great part to play in determining who became a 'business leader' in the U.S. during the 1920s (92-93). The most prominent characteristic of this set of people was its class of origin, with 57 per cent having businessmen as fathers, including about 30 per cent who were sons of "major executives and large owners." As they report,

The outstanding fact brought to light by our data on occupational origins is that, contrary to an American tradition of long standing, the typical figure among present-day business leaders in the United States is neither the son of a farmer nor the son of a wage-earner. Not more than 12 per cent of our respondents had fathers who were farmers, and only about 10 per cent had fathers who were manual laborers. If it is permissible to speak of a 'typical figure' in this

connection at all, the business man's son is certainly far more eligible for the title. The proportion of respondents having fathers who were business men of one kind or other (owners or executives) is no less than 56.7 per cent (233-234).

Their major conclusion is that only "10 per cent of the American population produces 70 per cent of its business leaders" (241). But the claim they make for their data is that it supports a 'superiority' rather than 'privilege' explanation of inequality. That is, they rely, without convincing evidence, on "innate differences" within the population to explain their findings, saying, "Lack of native ability rather than lack of opportunity is primarily responsible for the failure of the lower occupational classes to be as well represented as the higher classes" (264). Even the researchers, in the face of their own data, are unable to transcend the dominant ideology. Rather than providing an analysis of privilege, they prefer to shift the responsibility to biology and blame individuals from labouring classes rather than focus on the structure of corporate capitalism.

The second type of study tends to be less systematic than those of 'business leaders,' but directly addresses the questions of wealth and privilege through the technique of journalism. Most prominent here is the work of Ferdinand Lundberg in America's Sixty Families, but would also include many of the early 'muck-raking' journalists like Josephson or Myers. Lundberg's work is much more difficult to summarize than the other types of studies, except to provide his conclusion that "the United States is owned and dominated by a hierarchy of sixty of the richest families, buttressed by no more than ninety families of lesser wealth. Outside this plutocratic circle there are perhaps three hundred and fifty other families, less defined in development and in wealth" (1937:3). As with the Taussig and Joslyn study, there is a certain looseness to the definition but in Lundberg's case, this stems more from the nature of wealth and power described by him than from his desire to be systematic. His focus is less on 'social types' and the exercise of power than on the social networks and behaviour of the rich, particularly in terms of marriage patterns and friendships making up "American ruling class families."

The final type is the early elite studies based on biographical data. Included here are detailed studies like Chester McArthur Destler's study

of 43 entrepreneurs from the end of the Civil War to the turn of the century, entitled "Entrepreneurial Leadership Among the 'Robber Barons'." Even in this select group, he found that only 69 per cent were "first generation entrepreneurs" and that 38 per cent were of upper class backgrounds, 11 per cent middle class and 51 per cent from the petty bourgeoisie with none from the working class (1946:36ff). However, the most extensive studies of this early type were conducted by C. Wright Mills, in his article on the "American Business Elite," covering seven generations, and a series of articles by William Miller covering the period around 1900 and collected mainly in his Men in Business.

Mills selected 1,464 prominent businessmen from the Dictionary of American Biography who were born between 1570 and 1879 and subdivided them into various age groupings, the most recent of which would have been between 40 and 70 years old during World War One (1945:110-112). His analysis has had the advantage of being somewhat systematic and covering a long time period. His major findings were that "of the men born between 1570 and 1759, 80.6 per cent were from upper-class homes. Of the men born between 1670 and 1849, only 59.4 per cent were from upper classes; whereas of those born between 1850 and 1879, 70.7 per cent originated in the upper economic level of the American social structure" (123). Thus, the upper class supplied most of the prominent businessmen in all eras, particularly during the height of mercantilism and after the emergence of corporate capitalism but somewhat less during the era of entrepreneurial capitalism. The most open period was for those born about 1835, thus bringing them to maturity just following the Civil War. In terms of the broad profile for the entire period, he concludes:

the typical member of the American business elite is of northeastern origin (61.2 per cent). He did not migrate westward to success. He was definitely of the upper classes by birth (63.7 per cent) and was educated well above the level of the general population (46.6 per cent being in the 'higher' category). The father of the business elite has typically (40.4 per cent) been a businessman. And 45.7 per cent of the business elite of America have held office in its various political structures (139).

Later, Mills complemented this analysis of prominent businessmen with a study of 275 of the wealthiest people in the U.S., including 90 from 1900, 95 from 1925 and 90 from 1950. A clear trend is established in the class

origins of the three groups, with 'only' 39 per cent of upper class origin in 1900, 56 per cent in 1925 and 68 per cent by 1950 (1956:104-105).

William Miller's study of the "business elite" in the decade 1900 to 1910 differs from Mills' primarily in the method of selection and, of course, covers only one period while Mills' research was for several periods. Rather than using a biographical source for reputedly powerful businessmen, Miller systematically chose his elite by taking the president, chairmen and, in some cases (as in investment houses), partners of the largest corporations in "(1) manufacturing and mining, (2) steam railroads, (3) public utilities, (4) finance (commercial banking, life insurance, investment banking)" (1949: 312-313; 1950:386-387). Of the 190 members of the elite identified in this way, 179 could be classified by class of origin. Half came from upper class origins, 45 per cent from the middle class and 5 per cent lower (326, Table 8). Contrary to the mythology of the era, "poor immigrant boys and poor farm boys together actually make up no more than 3 per cent of the business leaders" (328). In terms of ethnic origin, 79 per cent were of British descent, 3 per cent from Southern Ireland, 12 per cent from Germany and 6 per cent elsewhere (1950:333, Table 1). Similar to the general finding by Mills, 61 per cent of those in Miller's study that were native born were from the North East (compared to 39 per cent of the population) (334). Taking only those companies in textiles, railways and steel, Gregory and Neu replicated Miller's study for the 1870s and found essentially the same results, although the occupations of the fathers had been somewhat lower during the earlier period. The changes from the 1870s to 1900s for this subset were businessmen rising from 51 to 55 per cent, professionals increasing from 13 to 22 per cent, farmers dropping from 25 to 14 per cent, public officials moving from 3 to 7 per cent and workers falling from 8 to 2 per cent (1952:202, Table 6). Thus, these results conform to the general pattern reported by Mills in terms of the shift from entrepreneurial to corporate capitalism. A similar, although not identical, study for the same period (1880 to 1910) of Canadian manufacturers produced very similar results with the proportion of businessmen fathers rising from 60 to 69 per cent and craftsmen dropping from 6 to 1 per cent, with no labourers for either period (Acheson, 1973:206, Table 12; also, see Clement, 1975:71-73).

All three of these early types of studies have their contemporary

counterparts and for the remainder of this review of elite studies, more recent examples of the survey and biographical types will be examined.

Following procedures similar to William Miller, Suzanne Keller's study of 'American Business Leaders' covers the periods 1870, 1900 and 1950 and uses the chairmen and presidents of the largest corporations for each period. She found the "largest proportion of business leaders in each generation had fathers who were businessmen. This is true for about one-half of the business leaders of 1870 and 1900, rising to nearly three-fifths for the business leaders of 1950" (1953:68-69). The following table summarizes the transformations over the period.

Occupations of Three Generations
of Business Leaders

Father's Principal Occupation	1870 Generation	1900 Generation	1950 Generation	Population 1870 1900	
Businessman	47%	50%	57%	6%	8%
Professional	16%	25%	14%		
(Lawyer)	(5%)	(5%)	(5%)		
(Engineer)	(0)	(2%)	(0)		
(Clergyman)	(3%)	(9%)	(2%)		
(Other)	(8%)	(9%)	(7%)		
Public Official or Politician	3%	5%	1%		
Farmer	26%	16%	15%	32%	25%
Wage or Office Worker	8%	4%	12%	57%	59%
Total	100%	100%	99%		
(N)	(254)	(168)	(348)		

(Source: Suzanne Keller, "The Social Origins and Career Lines of Three Generations of American Business Leaders", 1953:69, Table 17)

Further evidence of the continuity found by Keller is in the occupations of the grandfathers of the 1950 sample, where "42 per cent of the [1950] business leaders had grandfathers who were businessmen, 12 per cent professional men, 33 per cent farmers and only 8 per cent of the grandfathers were wage or office workers" (72). The conclusion reached by Keller is somewhat ambiguous:

Our data, therefore, provides no support for the familiar, if generally undocumented, assertions about the increasing exclusiveness of the leading business stratum. This stratum has always been more closed than has generally been assumed and is, if anything, somewhat more open in the latest period studied than it was in the earlier periods (170).

The data itself would suggest greater exclusiveness in terms of sons with businessmen for fathers, since they show a steady increase from 47 to 50 to 57 per cent over the periods. There are, however, somewhat erratic patterns for professionals and wage or office workers, both with uneven patterns over time. There is little doubt given the evidence that businessmen consistently are very over-represented in terms of comparisons with the population while farmers, wage or office workers are consistently under-represented by very substantial amounts. In the last period, however, there are contradictory trends with both the businessmen and wage or office workers increasing, suggesting that while the core of the 'business leaders' remains intact intergenerationally, there can still be an increase in the proportions drawn into their circles from working class origins.

A further study using a similar methodology is that of Mable Newcomer, who selected the largest non-financial corporations in the U.S. and their presidents and chairmen for periods centred on the years 1900, 1925 and 1950. Her study differs from Keller's mainly in its exclusion of financial corporations and somewhat different sample size, aside from the shorter time frame. As would be expected, the results are strikingly similar between the two studies. There is a similar rise in Newcomer's study of fathers as business executives from 51 to 56 per cent between 1900 and 1950 (compared to a rise from 50 to 57 per cent in Keller's), while professionals fall from 22 to 18 per cent and farmers from 21 to 13 per cent. Combining Newcomer's categories of clerical, skilled and semi- and unskilled to compare with Keller's wage or office workers shows an increase from 6 to 13 per cent between 1900 and 1950 for Newcomer compared to an increase from 4 to 12 per cent in Keller's (based on Newcomer, 1955:53-54, Table 17).¹ Thus, there is little need to pursue Newcomer's study any further.

Following procedures to replicate the Taussig and Joslyn study for 1928 discussed earlier, Warner and Abegglen sent out 17,546 questionnaires to 'business leaders' in 1952, receiving usable ones for 48 per cent (1955b: 24), almost the same as the earlier study. As a replication, it repeats

¹ It is worthwhile noting Newcomer's comment that, "And it may be said without further comment that no woman and no Negro has been found among the top executives of this study" (1955:42).

the same weakness of a loose definition for 'business leader' but does have the advantage of comparison over time. These studies cover a broader range of businessmen than those by Mills, Miller, Keller or Newcomer, since they consciously cover both large and small companies and may thus be considered more reflective of a general category 'manager.' This difference may account for the somewhat different pattern found in class origins between 1928 and 1952 compared to Newcomer's findings between 1925 and 1950. Over the period, Warner and Abegglen found the proportion with fathers who were business owners or executives fell from 58 to 52 per cent (1955:46) while Newcomer found an increase of business executive fathers from 52 to 56 per cent (1955:53-54). Nevertheless, the broad distributions by occupational backgrounds for the fathers in both studies are similar. Controlling for shifts in the population, Warner and Abegglen find that those with businessmen for fathers have declined as a ratio of the population but remain the most over-represented category (48). There has been a study for Canada which roughly replicates the Warner-Abegglen study for 1967. It found that 55 per cent of the managers had fathers who were business owners or executives compared to the 52 per cent found by Warner and Abegglen for 1952 in the U.S. There was also a lower proportion in Canada whose fathers were farmers (6 to 9 per cent) and labourers (9 to 15 per cent) (Daly, 1972:119). However, the fifteen-year time difference and different selection criteria for the two studies do not make them directly comparable.

One final study, by Bendix and Howton, uses methods similar to those used by C. Wright Mills but in addition provides a comparison of all the findings of studies of business 'leaders' and elites in the U.S. to that point. They selected a one in nine sample of all businessmen listed in the National Cyclopedia of American Biography, recognizing the limitations of this for the specificity of the definition 'elite.' In addition, they supplemented this source with the Dictionary of American Biography to obtain more cases for the earliest period and the Current Biography for the latest one (1959:118-121). The following table summarizes their findings for the five periods.

Class Origins of U.S. Business Elite for Five Periods

Birth	1771-1800	1801-1830	1831-1860	1861-1890	1890-1921
Median (plus 50)	1835	1865	1895	1925	1955
Upper	65%	63%	69%	73%	74%
Middle	23%	25%	19%	19%	20%
Working	<u>12%</u>	<u>13%</u>	<u>11%</u>	<u>8%</u>	<u>7%</u>
Total	100%	100%	100%	100%	100%
N	91	56	225	281	106

(From Bendix and Howton, 1959:122, Table 4.2; upper: businessmen, gentry farmers; middle: master craftsmen, small entrepreneurs, professionals, government officials, white collar workers; working: farmers, manual workers.)

Their data shows a consistent pattern of very high upper class origins with a tendency to rise over the periods and low working class origins with a tendency to fall. Generally, however, they argue the stability of the pattern over time (122-123), saying, "Our data allow us, therefore to question the validity of the doctrine that the successful businessman had proved himself to be the fittest in the struggle for survival" (127). When they compare all of the studies, they note that the "similarity in the trends shown by all of the studies is impressive" (131). Of all five studies, four document the stability of high upper class recruitment while only one period in Mills' study found any meaningful discontinuity.

It may safely be concluded from these various studies that there has been a very high degree of upper class reproduction within the U.S. economic elite over time, despite the mythology to the contrary. The U.S. has not been open at its upper levels, particularly to the majority of the population from working class origins. These studies are not directly comparable to the current study of the U.S. economic elite presented earlier mainly because of their focus on business 'leaders' generally and on only presidents and chairmen or on businessmen listed in biographical sources, while the present study includes not only the senior executives but the entire board of directors. The present study is also more systematic than any of these in selecting the dominant corporations used to determine members of the economic elite. Given the large number of studies already dealing with the historical continuity of class origins for the top businessmen in the U.S., it is not necessary to provide further documentation of this. The current study is rather designed to be comparable with studies already

available for Canada (see Porter, 1965; Clement, 1975) and to focus on the relationships between U.S. and Canadian economic elites. It has the advantage of being precise in the meaning given to the term economic elite and of examining the question of power more broadly, rather than the question of 'leadership' that has been the concern of most of these studies. No comparisons between the class origins of the business 'leaders' of these studies and the class origins of the present study would be valid since the meaning given to upper class in the current study is much more rigorous than the occupational classifications used in these other studies.

Two other types of studies of relevance here have been conducted in the U.S. The first is concerned primarily with the nature of the upper class (Baltzell, 1958, 1964; Domhoff, 1967, 1970; Kolko, 1967) but these have been discussed in conjunction with the current study. The other type includes a series of surveys by Fortune. In 1952, Fortune sent questionnaires to the three highest paid executives of the 250 largest industrials, the 25 largest railroads and 25 largest utilities (but not to financial companies or merchandising). Receiving a 65 per cent return on fathers' occupations, it was found that 63 per cent had fathers who were in business, 16 per cent in a profession or government and only 21 per cent farmer or labourer (1956:27, 25). A more selective survey of young executives in 1965 found equivalent responses of 43 per cent upper, 35 per cent middle and 21 per cent working (Guzzardi, 1965:178). Finally, the chief executives of the Fortune 500 for 1970 have been surveyed and based on its conclusions, its authors argued, "American lore is filled with tales of the up-from-nowhere achiever, but the reality is that most chief executives grew up in comfortable middle- and upper-middle-class surroundings. Only 16 per cent are the sons of blue-collar workers or farmers. All the rest got a first-hand view of the executive world from fathers with an entrepreneurial frame of mind or who closely served those who did. Forty-five per cent of their fathers stood at the top of the business hierarchy either as founder, chairman of the board, or president of the company, or as a self-employed businessman" (May, 1970:323). Thus, this study confirms the broad patterns found earlier among the more systematic studies. Corporations in the U.S. have not provided equal opportunities for all classes. Rather, the top positions in U.S. corporations have been the preserve of the most privileged,

the children of the upper class.

Very recently, Fortune, May 1976, conducted another survey of the 'Top 800' chief executive officers of the 500 largest industrials and the 50 largest banks, life insurance, diversified finance, retail, transportation and utilities companies. Of the 800 questionnaires sent, they received 492 (or 61.5 per cent) but their published article is based on only a 52 per cent return. In this article they claim:

One of the hoariest myths about the top corporate officer is that he comes primarily from a wealthy or at least upper-middle-class background, and thus has a special advantage in getting to the top. There may have been a grain of truth to the idea in years past, but the backgrounds of today's chief executives suggest that the notion is now thoroughly obsolete (174).

This claim notwithstanding, their own data show that half those in their survey have fathers who were business executives and a quarter who were professionals. Thus three quarters of the chief executives had fathers in business and the professions while only a fifth were clerical, skilled or semi-skilled workers and one twentieth farmers.

APPENDIX XI

Methodological Note on Elite Biographical Data

In The Canadian Corporate Elite, I was attempting to analyse changes in the economic elite from 1951 (John Porter's The Vertical Mosaic) to 1972, thus it was necessary to use comparable categories. Since the present analysis relies on two sets of data I have gathered myself, I have slightly adjusted the categories to afford comparisons between U.S. and Canadian economic elites. In the process of adjusting the Canadian categories, I have taken the opportunity to gather additional evidence and material on the Canadian economic elite which has improved its quality. As a result, the present data for Canada is more accurate than before but because additional work has been done, it is not strictly comparable with the 1951 Canadian data. The differences between the original and revised 1972 data on the elite does, however, reflect the 'conservative' nature of gathering data based on biographical sources.

Selecting not only the senior executives of the 194 dominant U.S. corporations identified in Appendix VI but also the directors of these corporations (see Appendix X) produces a set of 2,450 elite members. Of these, biographical data was available for 2,007 members of the elite, or 82 per cent of the total. These 2,007 elite members for whom biographical data was available hold 86 per cent of the dominant U.S. positions. This coverage is almost the same as for the original Canadian economic elite sample (82 per cent of the elite and 88 per cent of the positions) (see Clement, 1975:172ff). The coverage for the revised Canadian data is somewhat improved, increasing the coverage of elite members to 84 per cent holding 90 per cent of the positions.¹ Since the statistics used in this study are selected on identical criteria and the coverage is virtually the same, there is no problem of comparability.

A variety of biographical sources were consulted for both the Canadian and U.S. economic elites and their relatives. For a listing of the Canadian

¹ Adequate biographical data was not available for 443 members of the U.S. economic elite holding 461 positions; only one held three dominant positions, 16 held two and the remaining 426 held one. In Canada, biographical data was not available for 148 members of the elite, holding 152 positions; only four held two dominant positions, the rest with one.

sources used, see Clement, 1975:221. The following are the U.S. sources, both contemporary and historical: Appleton's Cyclopedia of American Biography; Biographical Dictionary of the United States Executive Branch; Biographical Encyclopedia of America; Concise Dictionary of American Biography; Current Biography; Dictionary of American Biography; Encyclopedia of American Biography; Fortune Magazine; International Businessmen's Who's Who; Notable American Women; The Blue Book; The International Who's Who; The New York Times Biographical Edition; The New York Times Obituaries Index; Notable Americans; Poor's Register of Corporations--Directors and Executives; Webster's Biographical Dictionary; Webster's American Biographies; Who's Who in America; Who's Who in American History; Who's Who in American Politics; Who's Who in American Women; Who's Who in Banking; Who's Who in Commerce and Industry; Who's Who in the East; Who's Who in Finance and Industry; Who's Who in Government; Who's Who in the West; Who Was Who in America; Who Was Who in American Politics.

APPENDIX XII

The 'Ownership-Control' Debate in the U.S.:

The Power of Property

Theoretical issues concerning two aspects of the 'ownership-control' debate on the role of managers and the dispersal of stock ownership, especially as it applies to Canada, have already been analysed (see Clement, 1975:13-23). However, arguments concerning the power of managers and the dispersal of ownership, particularly as they relate to the decline of family capitalism and private property, are much more a part of the dominant mythology of the U.S. than they are in Canada, so it is necessary to examine some of these issues specifically as they relate to the U.S. and the 194 dominant corporations outlined in Appendix VI.

It can be demonstrated that as far as Canada's economic relations with the U.S. are concerned, the separation of ownership and control are non-problems. Since most U.S. ownership in Canada is in the form of branch plants, the majority of stock is highly concentrated in the parent corporation. On the other hand, as reliable Canadian management is found, controls in terms of direct overseeing can be loosened. What is not loosened, however, is the clear ownership tie of subsidiary to parent and the need to have the subsidiary fit the overall policy of the corporate complex set out by the parent's board. Within the U.S., however, the extent of ownership in the parents themselves must be examined.

Basically, the 'ownership-control' debate revolves around whether or not capital ownership continues to be the main mechanism of controlling corporations or whether the control has passed into the hands of the management of these bureaucratic apparatuses. Major questions involve whether or not stock ownership has become so dispersed in advanced capitalist societies that it no longer is able to constrain the power of corporate managers who themselves are not accountable to any of the traditional rights of property. The argument is summarized by Nichols, who says, "Managerialists have written of a 'divorce' or 'separation' of ownership and control. In this context we find it more fitting to write of a 'marriage of convenience'" (1969: 141). That is to say, owners and managers experienced a reorganization with the advent of corporate capitalism and the synthesis of the two is to be found in the board rooms of dominant corporations. Thus, the board of directors has become the focal point of power under corporate capitalism,

bringing together major stockholders, their representatives and corporate executives.

The most thorough discussion of these issues for the U.S. has been done by Maurice Zeitlin, in his paper, "Corporate Ownership and Control: The Large Corporation and the Capitalist Class" (1974), which draws together major arguments and evidence relevant to this debate. Zeitlin argues that the process of bureaucratization that has accompanied corporate capitalism is not sufficient grounds for contending that control has passed to administrators who manage these bureaucracies. Specifically, "there is nothing in bureaucratic management itself that indicates the bureaucracy's relationship to extrabureaucratic centers of control at the apex or outside of the bureaucracy proper, such as large shareowners or bankers" (1077-1078). Because property interests do not necessarily directly engage in management activities does not preclude the management themselves from being controlled by property interests. Zeitlin's argument is based on the common class positions of both the owners and executives of large corporations; that is, "'owners' and 'managers' of the large corporations, taken as a whole, constitute different strata or segments--when they are not merely agents--of the same more or less unified social class" (1078).

The project he sets out as necessary to demonstrate this class theory "demands research concerning the ensemble of social relations, concrete interests, and overriding commitments of the officers, directors, and principal shareowners of the large corporations in general" to prove the common class basis of these three segments of the capitalist class (1079-1080). The one corporate institution which draws these three segments together at the apex is the board of directors and only the board is endowed with the capacity to formulate and implement policies taking each into account. Furthermore, Zeitlin warns that these relationships must not be reduced to the board rooms of individual corporations, rather the analyst must attempt "to see the pattern of power relationships of which this corporation is merely one element" (1091). This involves an analysis of an entire web of social, economic and familial ties that go into making the individuals in control a social class.

The most frequently made argument concerning the dispersal of ownership has been that this has meant the demise of family capitalism. While

family capitalism is not the only way ownership can exercise control, it is the most difficult case for demonstrating the relationship between ownership and control. There is evidence that family capitalism continues to have an important place among the largest corporations in the U.S. In an article entitled, "Proprietors in the World of Big Business," Robert Sheehan found that 150 of the 1967 Fortune 500 list of largest industrials were controlled (defined as 10 per cent or more of voting stock compared to the Patman Committee's 5 per cent criterion) by an individual or a single family. Of these, 70 were controlled by the founding families of these corporations (1970:79-83). Since then, the most systematic study has been by Burch who analysed the top 300 industrials and the top 50 companies in each of merchandising, transportation and banking. He groups these 450 corporations into three categories: probably management controlled, possible family control and probably family control.¹ The following table summarizes his findings for these corporations.

Burch's Classification by Ownership of 450 U.S. Corporations

	Probably Management	Possible Family	Probably Family
Top 300 Industrials	40.0%	15.3%	44.7%
Top 50 Merchandising	30.0%	10.0%	60.0%
Top 50 Transportation	46.0%	14.0%	40.0%
Top 50 Banks	48.0%	20.0%	32.0%

(Source: Burch, 1972:70, 98)

Considering all together, 42 per cent are 'probably family' controlled, 41 per cent 'probably management' and 17 per cent 'possibly family' (1972:102-103). What is also important is his finding that in 93 per cent of the industrials classified as family firms, in 97 per cent in merchandising, 77 per cent in transportation and 80 per cent in banking, the family "has served in various major executive capacities" and in the overwhelming majority of cases, this family control has persisted for over a decade (101).

¹For a detailed discussion of these three categories, see Burch, 1972:29-35. Burch fails to take the possibility of financial control into account, an important mechanism of corporate control, as demonstrated in Chapter Six.

Burch concludes:

The rather pervasive family control exercised over a substantial number of the total 450 industrial, merchandising, transportation, and commercial banking concerns included in this analysis is, for the most part, of a very direct and enduring nature. That is to say, not only is this control exercised through significant stock ownership and outside representation on the board of directors, but also, in a great many cases, through a considerable amount of family managerial direction of these major corporate enterprises (101).

What is the effect of applying Burch's classifications to the 194 dominant corporations identified earlier? The following table summarizes these results.

Control of 194 Dominant U.S. Corporations*

	Probably Management		Possible Family		Probably Family		Not Available
	#	%	#	%	#	%	#
Finance	11	61	4	22	3	17	17
Trade	3	33	3	33	3	33	1
Transportation/Utilities	9	56	5	31	2	13	17
Resources	4	33	5	42	3	25	1
Manufacturing	<u>3</u>	<u>43</u>	<u>19</u>	<u>19</u>	<u>38</u>	<u>38</u>	<u>3</u>
Total	70	45%	36	23%	49	32%	39

*See the following footnote.

Of the 194, 39 were not classified by Burch and of the rest, 45 per cent are probably management compared to his total of 41 per cent for the 450, 23 per cent are possibly family compared to 17 per cent and 32 per cent are probably family compared to 42 per cent. While the 194 dominant corporations are somewhat more likely to be classified as managerial, the possibly and probably family controlled corporations, even among these largest corporations, still account for 55 per cent. Furthermore, it was demonstrated earlier that many of the outside directors on these dominant corporations are in the economic elite in the U.S. because they have had careers in family firms, although these firms themselves are not dominant. Family capitalism remains an important element at the height of the U.S. economy.

As was suggested earlier, family capitalism is not the only means whereby ownership and control converge. Banks, some of which in turn are controlled by families, have large blocs of stock in dominant corporations. For example, the Senate Government Operations Committee report for 1973 found that four New York banks held "21.9 per cent of United Airlines, 24.7 per cent of American Airlines, and 13.8 per cent of Western Airlines ...Chase (with two other Rockefeller-Morgan banks) has voting rights to 23.1 per cent of the stock of CBS, to 24.6 per cent of ABC, and to 6.7 per cent of NBC...In 1967, Chase had a 5.5 per cent interest in Reynolds, and Morgan had 17.5 per cent interest in Kennecott;" (Barnet and Muller, 1974: 235-236). Little wonder the Patman Report concluded, "Companies which have previously been characterized as 'management controlled' are probably controlled either by banks or by a combination of minority control through bank trust departments, stockholdings and management control" (in Fitch, 1972:155). Besides the banks, foundations are also repositories of family capitalism. Many families, like the Duke's, Ford's, Kellogg's, Kresge's, Lilly's and Rockefeller's, use foundations as a means of consolidating and continuing corporate control (see Anderson, 1974:206). For example, the Hartford Foundation owns 33 per cent of Great Atlantic and Pacific, while the Hartford heirs directly own 25 per cent² (Fortune, January 1975:21).

On the surface, it may appear that the predatory nature of the giant corporations buying out smaller family owned corporations leads to the eventual demise of the control exercised by these individuals and families. In a number of cases it was found the process has been quite the reverse. For example, Horace C. Jones, who was Burlington Industries' president and now its vice-chairman and "largest stockholder" personally holding 50,735 shares, "joined Burlington in 1960, when it acquired his family business, Lees Carpets, for 2,166,936 shares" (Fortune, April 1973:22). Is this an unusual occurrence? Malcolm P. McLean, a director of Reynolds Industries,

² Burch's classifications are obviously conservative since he classified Great Atlantic and Pacific as only 'possible family' control. Burlington Industries, examined in the next paragraph, was classified as 'probably management' as was United Airlines, but now there is clearly identifiable control. These changes were not made to Burch's original classifications.

would not think so. "Mr. McLean obtained 3.5 million shares or about half of Reynolds' preferred stock, in 1969, when he sold McLean Industries, parent company of Sea-Land Services, the nation's leading containerized freight transportation system to Reynolds" (New York Times, February 21, 1975:C-43). Nor would Edward E. Carlson, who became president of United Air Lines in 1971. He had been a director of UAL since 1970 when Western International Hotels, of which he was chairman, merged with UAL. "The Carlson appointment was engineered by an old friend, Thomas F. Gleed, a Seattle businessman who had been on United's board since 1955...When Carlson and L.P. Himmelman, president of Western International, came on the board in August following the merger, the time was ripe for a showdown. The two hotelmen are no hired hands; between them they own over 220,000 shares of UAL convertible preferred stock and they lead a group of Western International shareholders who now control 17 per cent of UAL stock, a powerful bloc indeed" (Fortune, February 1971:31).

It thus appears that ownership continues to be an important basis of control among dominant corporations.³ Daniel Bell's argument that the "singular fact is that in the last seventy-five years the old relation between the two institutions of property and family...has broken down" (1961: 40) may be correct for some dominant corporations but not for most. Some families continue to have sizable controlling interests in dominant corporations. For example, "Gulf Oil was founded by the Mellon family, which still owns some 20 per cent of the company's stock" (New York Times, March 13, 1975:C-75). The Mellon family still has sufficient holdings in Alcoa to have three family directors on its board. Other companies, like W.R.

³For example, "The new chairman [of United Brands], Max M. Fisher, sixty-seven, made his fortune as an independent oil dealer in Detroit. He took charge of a leaderless company last year to protect his family's holding of 297,800 common shares (about 3 per cent of the total) and 14,400 shares of preferred. His ally in this rescue mission (and vice-chairman) is Seymour Miltstein, fifty-five, a New York real-estate developer who along with his brother Paul and other family members owns 9.3 per cent of the common and 18,700 shares of preferred." The largest block of 20.5 per cent held by Carl H. Lindner (Fortune, July 1976:145).

Grace, have gone public, but the family continues in control. The Kaiser family interests continue to hold 42 per cent of the common and preferred stock in Kaiser Industries (Fortune, January 1974:54). The du Pont's and Heinz's continue to have great staying power in their dynasties. Further instances of family capitalism are examined in Chapter Seven, but, for now some further aspects of the 'ownership-control' debate will be examined.

Another element of importance in this debate concerns the role of corporate executives in the exercise of corporate control.⁴ As Burch has already shown, ruling families continue to supply a good number of the senior executives in the largest corporations but there are other cases where the executives are not from these families. For these executives, high salaries and stock ownership plans soon bring them into the property class. Averitt puts the salaries of executives in some perspective when he says that for 1962, "the salaries and bonuses paid the fifty-six officers and directors of General Motors exceeded the combined remuneration received by the President of the United States, the Vice-President, 100 U.S. Senators, 435 members of the U.S. House of Representatives, the nine Supreme Court justices, the ten cabinet members, and the governors of the fifty states" (1968:178). In other words, the top 56 officers and directors of GM received more than the 606 most powerful politicians in the U.S. combined.

These enormous salaries for executives of dominant corporations are even greater today. For example, in 1974, J. Kenneth Jamieson received compensation of \$676,667 as chairman of Exxon, Maurice Granville \$460,761 as chairman of Texaco, Raleigh Warner, Jr. \$596,000 as chairman of Mobil Oil, Bob R. Dorsey \$544,264 from Gulf Oil, William P. Tavoulareas \$489,750 from Mobil Oil, John E. Swearingen \$487,891 from Standard Oil (Indiana),

⁴There is no necessary conflict of interest between owners and managers. The owners of business are vitally concerned about strong management, for this is a means of attaining profit. They are also vitally concerned about control, for this is a means of regulating management and 'keeping an eye on profit.' The more confidence they have in management, the looser the immediate control becomes, but because of the claims of private property, the owners through the directors maintain crucial decisions of management selection and fiscal policy.

C.C. Garvin, Jr. \$4856,083 as president of Exxon and Harold S. Greene a 'mere' \$788,610 as chairman of ITT (New York Times, April 4, 1975:45). Bankers tend to be on a somewhat lower scale than industrialists but not so little that they would have to put their hand in the till; for example, Walter Wriston, chairman of Citicorp, 'only' received remuneration of \$425,422 in 1974 while A.W. Clausen, chief executive of Bank America, received \$245,000 (New York Times, May 25, 1975:F-11).

A Fortune survey of chief executives found that "nine out of ten have incomes before taxes ranging from \$100,000 to over \$1 million" (May 1970: 181). A study of executive compensation by Heidrick and Struggles, for presidents in Canada (1972) and the U.S. (1971), found that 77 per cent of the presidents of industrials in Canada with sales over \$100 million made over \$100,000 a year and for the U.S., 87 per cent with sales over \$165 million made over \$100,000 (1972:5; 1973:6). With these high salaries, it is difficult to conceive of these executives as having interests other than those of the property class; even if they were not themselves born in this class, their positions soon project them into it.

Even when their holdings do not represent a controlling interest in the corporation, they provide executives with enormous wealth and a commitment to the property system which is the foundation of the corporation. R.J. Larner's study of 93 chief executives found that 41 owned over \$1 million in stock (1970:251-262). As of 1975, David R. Foster, chairman of Colgate-Palmolive holds 52,650 shares in his company; William A.R. Marquard, president of American Standard 57,713; Edward Carlson, chairman of UAL, 89,356 directly and 1,100 indirectly; Charles H. Bell, director of General Mills, 70,460 (New York Times, May 15, 1975:67; April 17, 1975: 63; May 22, 1975:65; March 28, 1975:41). What about the executives with stock option plans but no capital? Companies have been looking after this according to a New York Times article, "Fringe Benefits at the Top," by providing no, or low, interest loans to cover the purchases (April 13, 1975:section 3). A survey of the value of shareholdings in their own companies by presidents of U.S. companies found that 29 per cent had over \$1 million and 73 per cent over \$100,000 worth of their own company's stock (Heidrick and Struggles, 1972:11).

Another Fortune survey of the 'Top 800' chief executive officers of the largest U.S. corporations found that 30 per cent own \$1 million or more of their own company's stock; 15 per cent own between \$500,000-999,000; 29 per cent between \$100,000-499,999; 16 per cent less than \$100,000 and only 10 per cent own no stock in their own company (May 1976:176).

While there has been a broad trend toward wider dispersion of stock in the U.S. since the rise of corporate capitalism, there continues to persist large controlling ownership blocs and much of the dispersion that has occurred has gone to corporate executives. Outside of these holdings, widespread stock ownership increases the control power of smaller blocs thus allowing minority interests to expand the power of their capital. To the extent shares are distributed, a greater 'community of interest' among many corporations is created rather than particularistic interests in individual corporations, thus reinforcing the general solidarity of the owning class, consistent with the cooperation of corporate capitalism rather than the competition of entrepreneurial capitalism.

Even within the general U.S. population with high incomes, inheritance plays a large part. For example, Tuckman reports that "Over 66 per cent of the consumer units with incomes of \$100,000 or more have some inherited assets, and of these, 57 per cent report that inheritances constitute a substantial portion of their total assets" (1973:15). Even within the population as a whole, stock ownership remains concentrated among the wealthy. According to a New York Times article, "Stock Ownership Remains With Rich," "the richest two-tenths of 1 per cent of Americans owned 30 per cent of all the stock as of mid-1971. The richest 1 per cent owned just over half of it." Reporting on trends, the article says, "In 1958, the top 1 per cent of dividend recipients received 50.6 per cent of all the dividends paid. Their percentage fell in stages, to 45.9 per cent in 1969 but had risen again to 46.9 per cent by 1971" (December 16, 1974:57-58). With only one per cent of income earners receiving half the dividends and owning half the stock, it is clear that the dispersion has not spread very deeply into the society. Nevertheless, dispersion does serve to increase the capital mobilized by large corporations and, as argued, increases the control value of those with large blocs. Private property remains intimately related to control over corporate power.

Wealth is not the same as corporate power. For example, families like the Kennedy's have accumulated great personal wealth (about \$400 million), largely through real estate speculation but Joseph Kennedy 'banked' his capital in trust funds and foundations. The money is useful for furthering political careers and could potentially be put to use as corporate control but it is essentially rentier capital or 'passive property' not used to exercise corporate control. Large capital pools accumulated over generations serve to provide continuity among the upper class but the economic elite puts capital to work for control of dominant corporations which include within them large amounts of other peoples' capital. As C. Wright Mills has argued, "Power has not been split from property; rather the power of property is more concentrated than is its ownership" (1951:101). Private property remains the basic institution upon which corporations are built and it confers on those in command of these corporations the power to exercise the rights of property. 'Active property' invested in corporations for the purpose of control increases its control value and allows its owners to extend their power much further than during the days of entrepreneurial capitalism when capitalists tended to confine their control to the power of their own capital only. Now the corporate form of organization is used to extend the power of property. Within the corporation, the board of directors is the body that exercises the rights of property; it represents the focal point of private ownership and bureaucratic control

Obviously, within the board room there will be those with differing degrees of power; the president will be more concerned with operations, as will vice-presidents, while the chairman will be more oriented toward general policy and external corporate relations and some outside directors may represent specific financial ties or relations with the state or have particular legal skills, and some will be simply token representatives to give the corporation legitimacy. There will be hierarchies within, built around particular offices, committees and large stock ownership. It is not possible to determine apriori which are the most powerful. While some individual members of the economic elite may be more powerful, power is generally exercised collectively among the elite; that is, as a collegial activity. Thus, it is not simply individuals per se but collectivities of

individuals that exercise corporate power and the most powerful collectivities are within the board rooms of dominant corporations. It is not possible to assign the greatest degree of power to members of the executives. There are too many cases where boards as a whole have thrown out executives who have not performed to their expectations of office. A few examples will illustrate. In October 1975, the directors of Singer forced Donald Kircher, the president, to resign when profits were declining (Fortune, December 1975:100ff). At Gulf Oil, it was the directors that conducted and implemented the investigation that led to the dismissal of the senior executives as a result of political scandals (Globe and Mail, December 31, 1975: 3). In recent years, the chief executives of United, Pan American and American Airways have all been removed by the directors (Loving, 1975:93). Following the suicide of Eli Black, chairman of United Brands, and political troubles, it was the board that took over the executive posts temporarily and set out in search of new executives to fill the posts (Fortune, June 1975:19). Finally, in an unprecedented move, RCA's board fired Robert Sarnoff as chairman; unprecedented because his father, General David Sarnoff, had built the company (Fortune, December 1975:17).

These examples do not prove that executives do not have power, only that the collective power of the board is often greater than the individual power of an executive. By not including directors among the elite, this important collective aspect to power is missed. Moreover, as the interlocking patterns provided earlier demonstrated, this collective power extends beyond the board room of specific dominant corporations into the collective power of the economic elite in all dominant corporations. The fact that there were over 2,400 interlocked elite positions among the 194 dominant corporations in the U.S. and 1,848 among the 113 dominant Canadian corporations illustrates the broad collegiality among the entire economic elite.

A survey of directors conducted by Heidrick and Struggles in the U.S. found that overwhelmingly, the most important activity of the board was considered to be "setting policy" (38 per cent), followed by "counselling management" (23 per cent) and "auditing managements' performance" (19 per cent), together accounting for about 70 per cent of the stated boards' purposes (1971:5). It is also important to know that for the most part,

directors are a self-selecting group. The same study found that the main source helping to select new directors in 94 per cent of all companies (including 97 per cent of all industrials with sales over \$350 million) was "present directors (9).

Summary

It should be stressed that the power of position, such as that held by corporation executives, based on control through the direct exercise of economic power, and the power of ownership, based on stockholdings, are not unrelated forms of power. The power of position allows its incumbents to demand high salaries plus stock options, each of which is turned into ownership. While upper class origins are useful for obtaining these positions, they are just as likely to be of middle class origins with university training and/or 'long crawlers' from within the corporate bureaucracy (especially insiders and presidents). On the other hand, the power of ownership is readily transferred intergenerationally and it allows those who have it to determine who is to qualify as an executive, director or other top positions and, if desired, even to place themselves in the chief executive position. The largest blocs of stock in dominant corporations, under the conditions of mature capitalism, tend to be acquired mainly through intergenerational transfers thus those of upper class origin are most important in terms of the power of property. If someone is able to acquire a position of power and is able to transform this into property by accumulating significant power of ownership, then this can be transferred as an ascribed advantage to their children who are then able to take advantage of this ownership. Nevertheless, the 'offshoots' of the power of position should not be underestimated in terms of transferring social status and contacts to children; that is, acquired upper class positions also have their intergenerational rewards aside from the power of ownership.

APPENDIX XIII

Problems of Immigration Data and Classifications

One methodological problem associated with analysing the flow of managers, using immigration statistics, is the distinction between nationality, country of birth and country of last residence. Typically, immigration data is gathered as last residence but there is no necessary identity between the three indicators. This problem is evident in the flows between Canada and the U.S. There is a wide range, even within a relatively short period, between those born in Canada and elsewhere in terms of 'Canadian' emigration to the U.S. The recent range, for example, is between three quarters in 1965 of those entering the U.S. from Canada as Canadian born to only half in 1960 (Canada Year Book, 1972:231).

Another problem common to all comparisons of movement between Canada and the U.S. are returnees. Neither country records the return of their own citizens since immigration covers only aliens and no emigration records are kept. This makes it impossible to distinguish, in the immigration data, between what Richmond calls "quasi-migrants" and "semi-permanent migrants." For managers, this may be particularly acute, especially if the foreign posting is only for a relatively short time, like a training period with the parent company. St. John-Jones has identified this problem:

Without some assessment of how long the immigrants remain in the U.S.A. or Canada, all the foregoing figures tell only a part of the story of the U.S.A.-Canada exchange. It is true that each immigrant intended to be more than a merely temporary resident at the time of applying to enter the country--and temporary may mean a few months, or in the case of a worker going to the U.S.A. on a firmly fixed-term assignment, a very few years--but having become an immigrant, he may stay for as little as a year or for as long as a lifetime. Indeed, there is nothing to stop him from leaving at any time after his arrival (1973:43).

This problem is particularly important given the relative ease with which people move between Canada and the U.S.

Particularly important to the study of managerial migration is the issue of the classification "managerial." It is evident that the distinc-

tion made between managerial and other categories by immigration statistics is far from satisfactory.¹ For example, the proprietor of a corner store is placed in the same category as the president of a large corporation. The present classification is inadequate in terms of positions the managers hold, the types of activities they carry out, the size of the organizations they are associated with, and whether they move 'attached' to an organization or if this is 'free' movement. Moreover, the classification is based on "intended occupation" and it is not known what correlation there is between intention and the actual occupation entered. Similarly, there is no follow-up to see whether the migrant 'falls' from the occupation recorded or 'rises' to a higher one.

Comparability of classifications used is also problematic. This is true for comparisons between categories used in Canada as opposed to the U.S. and also the basis of classification over time. For example, "managerial" has existed for immigration purposes as a category only since 1953 in Canada.

Even beyond the problem of the quality of data, there are some issues that make interpretation of the data difficult. Between unequal entities, it is difficult to say what is an equal exchange. Is it equal if eleven Canadians migrate to the U.S. for each one from the U.S. migrating to Canada? Each would have proportionately the same impact on the receiving country, but eleven Canadians leaving would have 121 times as much impact within Canada as the one leaving the U.S. What if 100,000 people crossed the border each way; would that be equal? It would represent 1/200th of Canada's population but only 1/2,200th of that of the U.S. Either way, it is difficult to say which is equal; it must always be qualified in terms of equal with respect to what. This is a similar problem to that encountered earlier in interpreting the flow of capital between Canada and the U.S. While it may be true that on a per capita basis more Canadian capital moves to the U.S. than moves to Canada, its respective impacts are not at all similar. The size of the U.S. economy allows it to absorb the

¹ It has been pointed out by Richmond that high level managers behave quite differently than do lower level ones (1967:232).

Canadian capital with ease while Canada's size means that the same per capita flow of capital leaves the Canadian economy dominated by U.S. capital. So it is with migration. Even an equal exchange of managers in terms of absolute numbers would mean Canada would soon be swamped with U.S. managers.

In order to establish the characteristics of managerial migrants, it is necessary to locate a source of data other than immigration statistics, primarily because there is not enough detail in these statistics and especially because of the looseness of the classification 'manager.' Theoretically, it can be anticipated from the transformations occurring within branch plants that a change would occur in the flow and recruitment of management. In early stages of establishing and integrating branches into parent operations, it would be anticipated that a larger number of these personnel would be sent from headquarters to oversee these operations. As branches mature and local personnel train, they would become accredited with managing the affairs of the branch. With this, there would be a reduction in the flow of managers from the U.S. to Canada and a reversal if Canadian resident managers are brought into the promotion system of parent companies. However, there will be branches at different stages in this process and aggregate data would tend to mask possible differences. Some of the evidence already presented suggests that this process is occurring among the largest and most firmly established U.S. corporations. At the elite level, in spite of the rapid expansion of U.S. control during the period, the proportion of the Canadian economic elite born in the U.S. has declined from 10 per cent to 6 per cent between 1951 and 1972. Therefore, there has not been the same tendency to send U.S. executives to Canada to run branches of dominant subsidiaries and they have relied more heavily on Canadian recruited management in these branches.

APPENDIX XIV

Procedures Used in the Canadian Born
U.S. Resident Managers Survey

To locate a sample of U.S. resident, Canadian born, managers, Standard & Poor's Register of Directors and Executives for 1975 was searched. Of the 68,000 managers listed there, 558 names were located (or about .8 per cent of the total) who had been born in Canada but were now resident in the U.S. The Register also contains persons resident in Canada and some born and resident outside the U.S. Of these 558, addresses were listed for 516 that would enable questionnaires to be received by these people. Of the 516, responses were received from 302, or 59 per cent of the total.

Since a minimum amount of data is provided in the original source, it is possible to compare the respondents on some characteristics with those who did not respond. In terms of age, the respondents tend to be somewhat younger, with the greatest disparity occurring in the group born in 1910 or earlier, where 28 per cent of the non-responses and 15 per cent of the responses can be found. However, the 1911-1920 category includes the greatest portion of both sets (38 per cent of the non-responses and 43 per cent of the responses). In terms of province of birth, the two sets were within 2 per cent of each other, except in Ontario, where 43 per cent of the non-respondents were born and 37 per cent of the respondents. Region of current residence in the U.S. was even closer for the two sets, with a maximum of 3 per cent difference in the four regions. Aside from the tendency of the respondents to be younger, which may be due to death or inactivity, the sample and the non-returns are very similar in terms of age and region of residence in the U.S.

The following two documents are the covering letter and questionnaire sent to the U.S. resident managers.

McMASTER UNIVERSITY

Department of Sociology

1280 Main Street West, Hamilton, Ontario, L8S 4M4
Telephone 525-9140 Local 4481

(430)

September 15, 1975

Dear Sir:

In this modern era business has become international. I am attempting to study the migration of important people from Canada to the United States and am asking you to help me by answering a few questions to facilitate this.

I have obtained your name along with those of other Canadian born businessmen from Standard and Poor's Register of Directors and Executives, 1975. Although I realize you must be a busy person, your answering this questionnaire will take only five minutes of your valuable time. Your cooperation is crucial to our successful understanding of this modern phenomenon. The questionnaire is anonymous. If these questions do not apply to you for some reason, please state why.

I had earlier sent similar questions to other Canadian born businessmen in the United States and based on their responses it was felt it would take you less time to fill out this 'structured' questionnaire than to have a more 'free flowing response'. Therefore, I hope the formality of the questions is compensated for by its brevity.

Thank you very much for your cooperation.

Sincerely,

Wallace Clement
Dept. of Sociology
McMaster University

WC/sc

Most of these questions can be answered simply by checking the appropriate box or boxes, or with short answers. This questionnaire is anonymous.

Please return to:

Professor Wallace Clement,
Department of Sociology,
McMaster University,
Hamilton, Ontario, Canada.

1. What is your year of birth? 1 _____
2. Province of birth? _____
3. Your ethnic origin? British Isles (), French (), Other () _____
4. When did you leave Canada to live 'permanently' in the United States? 19 _____
5. Were you ever 'temporarily' resident there before? _____

If so, why? _____

6. Did you simply migrate to the United States () or were you transferred within a company ()?

If transferred, is that your present company? _____

7. Do you know many other Canadian born businessmen now living in the United States? _____

If so, on what basis:

social ()

business ()

other (), specify _____

8. What kinds of contacts did you have in the United States before moving there?

none ()

social ()

business (within your company) ()

other business ()

family ()

other (), specify _____

9. Do you maintain contacts with Canadians now? _____

If so, on what basis:

social ()

business ()

family ()

other (), specify _____

10. Did you ever go to school in Canada? _____

If so, where:

private (), specify _____

public or high school ()

university (), specify _____

If university, type of degree specialty: _____

11. Did you ever go to university in the United States? _____

If so, where: _____

For what degree: _____

12. Is your wife from Canada (), the United States (), or elsewhere ()?

13. Did you move to the United States with your parents? _____

If so, why did they move? _____

14. What was your father's occupation? _____

Was he ever a company official? _____

What was his highest level of education? _____

15. Are you now a citizen of Canada (), the United States () or elsewhere ()?

16. What is the main economic activity of your present company:

Manufacturing ()	Transportation ()
Finance ()	Utilities ()
Resources ()	Trade ()
Other ()	_____

Is that company owned mainly from Canada (), the United States () or elsewhere ()?

17. In what area of the company has your main career been? (eg. sales, finance, law, etc.) _____

18. Do you think your being Canadian born has been an asset (), drawback () or neutral () in attaining an important position in the United States?

19. Were there any 'barriers' to your succeeding in Canada? _____

If so, specify _____

20. Do you think you stood a better chance in the United States than in Canada of attaining your present position? _____

Why:

21. What were the (three) major factors affecting your decision to move to and remain in the United States?

i)

ii)

iii)

Generally, why do you think many Canadian businessmen migrate to the United States?

APPENDIX XV

Two Methods of Determining Class Origins of Managers

Two types of class origin classifications have been designed for the Canadian born, U.S. resident managers. The first, and most comparable to the elite studies in the earlier chapters, is social class origin (which is used in the text) determined through a combination of the question on father's occupation and a question on whether he was ever a corporate official. When this information was not provided, private school education or attending university in Canada were substituted. In this classification, working class origin also includes farmers. The second set of class origin categories uses only the occupation of the father and whether or not he was a corporate official. In this classification, for example, senior civil servants who had not been corporate officials were classified as new middle class rather than upper class, as they were in the other categorization. Within the middle class, the distinction was drawn between 'old' and 'new' middle class, with the old middle class composed of independent operators (including farmers) and the new middle class of those employed in a bureaucracy and salaried. These two different categorizations were made possible by the more detailed occupational data for those coming from outside the upper and capitalist classes while more detail for the upper levels is available in the biographical data used in the elite studies. Comparing the two categorizations, of those classified as upper class, 87 per cent fall into the capitalist class, 8 per cent into the new middle class and 5 per cent in the old middle class with the difference accounted for by senior civil servants and those attending private schools. Of those in the (social) middle class, 57 per cent are in the new middle class and 44 per cent in old middle class; of those in (social) working class, 40 per cent are in the old middle class and 59 per cent in the working class by occupation, with the difference accounted for by farmers. The following table summarizes the second categorization in terms of the four types of migrants.

Class Origin by Occupation of Canadian Born
U.S. Resident Managers

	With Parents	To University	Self Migrant	Transfer
Capitalist	36%	33%	29%	31%
New Middle	22%	23%	32%	29%
Old Middle	24%	31%	27%	35%
Working	<u>18%</u>	<u>13%</u>	<u>12%</u>	<u>6%</u>
Total	100%	100%	100%	100%
(N)	(116)	(39)	(66)	(52)

In Table Fifty-One, 9 of the 31 working class origin who moved with their parents had fathers who were farmers. In the above table, 14 of the 21 of working class origin who moved with their parents had fathers who were skilled labourers. Of all those with working class origins in the class by occupational classification, 20 had fathers who were skilled labourers, thus even within this group it is largely the upper levels of the working class that supplied sons for these managerial positions.

REFERENCES:

- Acheson, T.W.
1973 "Changing Social Origins of the Canadian Industrial Elite."
Business History Review, Vol. XLVII, No. 2 (Summer).
- Adelman, M.A.
1970 "The Two Faces of Economic Concentration." The Public Interest,
No. 21 (Fall).
- Aitken, Hugh G.J. (ed.), et. al.
1959 The American Economic Impact on Canada. Duke University Press:
Durham, N.C.
- Aitken, Hugh, G.J.
1959 "The Changing Structure of the Canadian Economy," in H.G.J. Aitken,
(ed.), et. al.
- 1961 American Capital and Canadian Resources. Harvard University
Press, Cambridge.
- Alexander, Malcolm L.
1975 "The Political Economy of Semi-Industrial Capitalism: A Compar-
ative Study of Argentina, Australia and Canada." PhD. Thesis Pro-
posal, Dept. of Sociology, McGill University, Montreal (March).
- Allen, Michael Patrick
1974 "The Structure of Interorganizational Elite Cooptation: Interlock-
ing Corporate Directorates." American Sociological Review, Vol. 39
(June).
- Anderson, Charles H.
1974 The Political Economy of Social Class. Prentice-Hall.
- Andreano, Ralph L. (ed.)
1973 Superconcentration/Supercorporation. Warner Modular Publications,
Andover, Massachusetts.
- Averitt, Robert T.
1968 The Dual Economy: The Dynamics of American Industry Structure.
W.W. Norton, N.Y.
- Bain, Joe S.
1966 International Differences in Industrial Structure: Eight Nations
in the 1950's. Yale University Press, New Haven, Conn.
- Baltzell, E. Digby
1958 Philadelphia Gentlemen, The Making of a National Upper Class.
Quadrangle Paperbacks: Chicago.
- 1962 An American Business Aristocracy. Collier Books, N.Y.
- 1964 The Protestant Establishment: Aristocracy & Caste in America.
Vintage Books: N.Y.

- Balogh, T.
1971 "The Mechanism of Neo-Imperialism," in Rothschild, ed., Power in Economics, 1971, Penguin.
- Bannock, E.
1971 Economic Report on Corporate Mergers. Federal Trade Commission, Washington.
- Barnet, Richard J. and Ronald E. Muller
1974 Global Reach, The Power of the Multinational Corporations. Simon & Schuster: N.Y.
- Baron, Paul A.
1957 The Political Economy of Growth. Modern Reader: N.Y.
- Beard, Charles A., Mary R. and William
1968 New Basic History of the United States. Doubleday & Co., Garden City, N.Y.
- Behrman, J.N.
1969 Some Patterns in the Rise of the Multinational Enterprise. Chapel Hill, University of North Carolina.
- Bell, Daniel
1961 "The Breakup of Family Capitalism," in D. Bell, The End of Ideology. The Free Press: N.Y.
- Bendix, Reinhard and Frank W. Howton
1959 "Social Mobility and the American Business Elite" (Chapter IV), in S.M. Lipset & R. Bendix, Social Mobility in Industrial Society. University of California Press, Berkeley, 1959.
- Berky, A.S. and J.P. Shenton (eds.)
1966 The Historians' History of the United States. Two Volumes. G.P. Putnam's Sons: N.Y.
- Bertram, G.W.
1963 "Economic Growth in Canadian Industry, 1870-1915: The Staple Model." Canadian Journal of Economics and Political Science, Vol. XXIX, No. 2 (May 1963).
- Block, Fred
1970 "Expanding Capitalism: The British and American Cases." Berkeley Journal of Sociology, Vol. XV.
- Brebner, John Bartlett
1945 North Atlantic Triangle: The Interplay of Canada, the United States and Great Britain. New Haven, Conn. Revised by Carleton Library, McClelland & Stewart, 1966.
- Bourgault, Pierre
1972 Innovation and the Structure of Canadian Industry. Science Council of Canada, Information Canada, October 1972.

- Brady, Robert A.
1943 Business as a System of Power. Columbia University Press: N.Y.
- Buckley, Kenneth
1955 Capital Formation in Canada, 1896-1930. University of Toronto Press. Reprinted by Carleton Library, McClelland & Stewart, 1974.
- Bunting, David and Jeffery Barbour
1971 "Interlocking Directorates in Large American Corporations, 1896-1964." Business History Review, Vol. XLV, No. 3 (Autumn).
- Burch, Philip H.
1972 The Managerial Revolution Reassessed. Lexington Books, D.C. Heath & Co., Lexington, Massachusetts.
- Canadian-American Committee
1965 Capital Flows Between Canada and the United States. Private Planning Association of Canada, Montreal.
- Chandler, Alfred D., Jr.
1959 "The Beginnings of 'Big Business' in American Industry" in R.M. Abrams & L.W. Levine, eds., The Shaping of Twentieth-Century America. Little, Brown & Co.: Boston. Originally in Business History Review, Vol. XXXIII (Spring 1959).
1962 Strategy and Structure. M.I.T. Press, Cambridge, Massachusetts.
1969 "The Structure of American Industry in the Twentieth Century: A Historical Overview." Business History Review, Vol. XLIII, No. 3 (Autumn).
1969 "The Role of Business in the United States: A Historical Survey" in E. Goldstein, et. al (eds.), The American Corporation. M.I.T. Press, Cambridge, Mass.
- Chandler, Alfred D., Jr. and Stephen Salsbury
1968 "The Railroads: Innovations in Modern Business Administration" in A.D. Chandler, et. al. (eds.), The Changing Economic Order. Harcourt, Brace & World: N.Y.
- Cheit, Earl (ed.)
1967 The Business Establishment. John Wiley & Sons, Inc.
- Clement, Wallace
1975 The Canadian Corporate Elite: An Analysis of Economic Power. McClelland & Stewart, Carleton Library: Toronto.
- Chodos, Robert and Drummond Burgess
1974 "Ma Bell joins the jet set" in Robert Chodos & Rae Murphy (eds.), Let Us Prey. James Lorimer & Co., Toronto.
- Cochran, Thomas C.
1957 The American Business System: A Historical Perspective, 1900-1955. Harvard University Press: Cambridge, Mass.

- Cochran, Thomas C. and Thomas B. Brewer (eds.)
1966 Views of American Economic Growth. McGraw-Hill: N.Y.
- Cochran, Thomas C. and William Miller
1942 (1961 revised) The Age of Enterprise. Harper & Row: N.Y.
- Creighton, Donald
1956 The Empire of the St. Lawrence. Macmillan, Toronto.
- Cuneo, Carl
(1977 forthcoming) 'The Controlled Entry of Canadian Managers to the United States.' International Journal of Comparative Sociology, XVII.
- Daly, William George
1972 'The Mobility of Top Business Executives in Canada.' Unpublished Master's Thesis, Department of Commerce and Business Administration, University of British Columbia.
- Daughen, Joseph R. & Peter Binzen
1971 The Wreck of the Penn Central. Mentor Executive Library, Signet.
- Davis, Robert, Mark Zannis & Ralph Surette
1974 "Why David Rockefeller was in Quebec City" in Robert Chodos & Rae Murphy (eds.), Let Us Prey. James Lorimer & Co.: Toronto.
- Destler, Chester McArthur
1946 "Entrepreneurial Leadership Among the 'Robber Barons': A Trial Balance." Journal of Economic History (Supplementary Issue), Vol. VI.
- Deutsch, John J.
1959 "Recent American Influence in Canada" in H.G.J. Aitken, et. al. (eds.)
- Deverell, John
1975 Falconbridge: Portrait of a Canadian Mining Multinational. James Lorimer & Co., Toronto.
- Didrichsen, Jon
1972 "The Development of Diversified and Conglomerate Firms in the United States, 1920-1970." Business History Review, Vol. XLVI, No. 2 (Summer).
- Domhoff, G.W.
1967 Who Rules America? Prentice-Hall, New Jersey.
- 1970 The Higher Circles. Vintage, N.Y.
- 1975 "Social Clubs, Policy-Planning Groups, and Corporations: A Network Study of Ruling-Class Cohesiveness" in Domhoff (ed.)
- Domhoff, G. William (ed.)
1975 New Directions in Power Structure Research. The Insurgent Sociologist, Vol. V, No. 111 (Spring).

- Dooley, Peter C.
1969 "The Interlocking Directorate." The American Economic Review,
Vol. LIX, No. 3 (June).
- Dosman, Edgar J.
1975 The National Interest: The Politics of Northern Development,
1968-75. McClelland & Stewart, Toronto.
- Dos Santos, Theotonio
1968 "The Changing Structure of Foreign Investment in Latin America"
in J. Petras, and M. Zeitlin, eds., Latin America: Reform or
Revolution? 1968.
- 1971 "The Structure of Dependence" in K.T. Fann & Donald C. Hodges (eds.),
Readings in U.S. Immigration. Porter Sargent Pub., Boston, Mass.
- Douglas, Elisha P.
1971 The Coming of Age of American Business. University of Carolina
Press, Chapel Hill.
- Drache, Daniel
1975 "Canadian Capitalism: Sticking with Staples." This Magazine,
Vol. 9, No. 3 (July-Aug).
- Federal Reserve Bulletin
1968 "Changes in Banking Structure, 1953-1962" in Monetary Economics:
Readings. A.D. Entine (ed.), Wadsworth Publishing Co., Cali-
fornia.
- Felton, John Richard
1971 "Conglomerate Mergers, Concentration and Competition." American
Journal of Economics & Sociology (July).
- Firestone, O.J.
1958 Canada's Economic Development, 1867-1953. Bowes & Bowes: London.
- Fitch, Robert
1972 "Sweezy and Corporate Fetishism." Socialist Revolution, No. 12.
- Fitch, Robert and May Oppenheimer
1970 "Who Rules the Corporations?" (Three Parts) Socialist Revolu-
tion, Vol. 1, 5 and 6.
- Frank, A.G.
1972 "Economic Dependence, Class Structure and Underdevelopment Policy"
in J.D. Cockcroft, et. al. (eds.), Dependence and Underdevelopment
in Latin America. Doubleday-Anchor, 1972.
- 1969 Latin America: Underdevelopment or Revolution. Monthly Review
Press.
- Galtung, J.
1972 "A Structural Theory of Imperialism." Journal of Peace Research.

- Galbraith, John Kenneth
1973 Economics and the Public Purpose. Houghton Mifflin Co., Boston.
- George, P.
1970 "Types of Migration of the Population According to the Professional and Social Composition of Migrants" in Jansen, ed., Readings in the Sociology of Migration. Pergamon Press: Oxford, 1970.
- Gilberg, D.
1970 "United States Imperialism" in Christoffel, et. al. (eds.), Up Against the American Myth. Holt, Rinehart & Winston, 1970.
- Girvan, Norman
1973 "The Development of Dependency Economics in the Caribbean and Latin America: Review and Comparison." Social and Economics Studies, Vol. 22, No. 1.
- Glazer, William A.
1973 The Migration and Return of Professionals. Bureau of Applied Social Research, Columbia University (September).
- Gonick, C.
1970 "Fortune Ownership and Political Decay" in Lumsden, ed., Close The 49th Parallel. University of Toronto Press.
- 1971 "Socialism and the Economics of Growthmanship" in L. LaPierre, et. al., (eds.), Essays on the Left. McClelland & Stewart, Toronto.
- Gordon, Robert A.
1945 Business Leadership in Large Corporations. George Banta Publishing Co., Menasha, Wisconsin.
- Government of Canada
1972 Foreign Direct Investment in Canada. Information Canada, Ottawa.
- Grant, George
1965 Lament for a Nation. McClelland & Stewart, Toronto.
- Greenleaf, William, ed.
1968 American Economic Development Since 1860 (Introduction). Harper & Row: N.Y.
- Gregory, Frances W. and Irene D. Neu
1952 "The American Industrial Elite in the 1870's: Their Social Origins" in William Miller (ed.), Men in Business. Harper Torch Books, Harper & Row, N.Y.
- Guzzardi, Walter
1965 The Young Executives. New American Labour, N.Y.
- Hacker, Louis M.
1970 The Course of American Economic Growth and Development. John Wiley & Sons: N.Y.

- Harris, Seymour E. (ed.)
 1961 American Economic History. McGraw-Hill: N.Y.
- Heidrick and Struggles, Inc.
 1971 Profile of the Board of Directors. Chicago.
 1972 Profile of a President. Chicago.
 1973 Profile of a Canadian President. Chicago.
- Horowitz, D. (ed.)
 1969 Corporations and the Cold War. Monthly Review Press.
- Innis, Harold
 1940 The Cod Fisheries: The History of An International Economy. University of Toronto Press, Toronto.
 1956 Essays on Canadian Economic History. University of Toronto Press, Toronto.
- Jalee, P.
 1969 The Third World in World Economy. Monthly Review Press.
- Jenkins, Robin
 1971 Exploitation, The World Power Structure and the Inequality of Nations. Paladin, London.
- Johnson, D.
 1972 "Dependence and the International System" in Cockcroft, et. al. (eds.), Dependence and Underdevelopment in Latin America. Doubleday-Anchor.
- Jones, Peter d'A. (ed.)
 1968 The Robber Barons Revisited. D.C. Heath & Co., Lexington, Mass.
- Kalbach, Warren S.
 1970 The Impact of Immigration on Canada's Population. Ottawa: Dominion Bureau of Statistics.
- Kaplan, A.D.H.
 1964 Big Enterprise in a Competitive Society. Brookings Institute, Washington, D.C.
- Kaufman, Burton I.
 1972 "The Organizational Dimension of United States Economic Foreign Policy, 1900-1920." Business History Review, Vol. XLVI, No. 1 (Spring).
- Kay, Geoffrey
 1975 Development and Underdevelopment: A Marxist Analysis. St. Martin's Press, N.Y.

- Keller, Suzanne
1963 Beyond the Ruling Class. Random House, N.Y.
- Keller, S.I.
1955 "The Social Origins and Career Lines of American Business Leaders" (1953 Ph.D. Thesis) Columbia University, N.Y. noted in Mabel Newcomer, The Big Business Executive. Columbia University Press, 1955.
- Keohane, Robert O. and Joseph S. Nye
1973 "World Politics and the International Economic System" in C. Fred Bergsten, The Future of the International Economic Order. Lexington Books, Lexington, Mass.
- Knickerbocker, Frederick T.
1973 Oligopolistic Reaction and Multinational Enterprise. School of Business Administration, Harvard University, Boston.
- Kolko, Gabriel
1963 The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916. Free Press, N.Y.
- 1969 The Making of American Foreign Policy.
- 1969 The Roots of American Foreign Policy. Beacon Press.
- Kuznets, Simon
1952 National Income and Its Composition, 1919-1938. N.Y.
- Larner, R.J.
1966 "Ownership and Control in the 200 Largest Non-financial Corporations, 1929-1963." American Economic Review, Vol. LVI, No. 4, September.
- Lary, Hal B., et. al.
1968 "The United States as an International Creditor" (orig. 1943) in William Greenleaf (ed.), American Economic Development Since 1860. Harper & Row, N.Y.
- Lawson, Thomas W.
1968 "Pioneers and Speculators--Westinghouse versus 'The System'" in Jones (ed.), The Robber Barons Revisited. D.C. Heath & Co, Lexington, Mass., 1968.
- Levitt, K.
1970 Silent Surrender. Macmillan.
- Levitt, K. and A. McIntyre
1967 Canada-West Indies Economic Relations. Canada Trade Committee.
- Lewis, Cleona
1938 America's Stake in International Investments. Brookings Institute, Washington, D.C.

- Liebhafsky, H.H.
1971 American Government and Business. John Wiley & Sons, N.Y.
- Litvak, I.A. and C.J. Maule
1970 "The Multinational Corporation: Some Perspectives." Canadian Public Administration, Vol. XIII, No. 2 (Summer, 1970).
- Loomis, Carol J.
1975 "For the Utilities, It's a Fight for Survival." Fortune, March 1975.
- Loving, Rush, Jr.
1975a "Outsider in the Throne Room at Kaiser." Fortune, March.
1975b "Bob Six's Long Search for a Successor." Fortune, June 1975.
- Lundberg, Ferdinand
1937 America's 60 Families. The Vanguard Press, N.Y.
- Magdoff, H.
1969 The Age of Imperialism. Monthly Review Press.
- Marshall, Herbert, Frank A. Southard, Jr. and Kenneth W. Taylor
1936 Canadian-American Industry: A Study of International Investments. Yale University Press, New Haven.
- Mathias, Philip
1976 Takeover: The 22 Days of Risk and Decision That Created the World's Largest Newsprint Empire, Abitibi-Price. Financial Post Publishers, Toronto.
- Martin, Linda Grant
1975 "The 500: A Report on Two Decades." Fortune, May.
- McDiarmid, O.J.
1946 Commercial Policy in the Canadian Economy. Harvard University Press, Cambridge.
- McKie, Donald Criag
1974 "An Ontario Industrial Elite: The Senior Executives in Manufacturing Industry." Unpublished PhD. Thesis, Department of Sociology, University of Toronto.
- Miller, William
1949 "American Historians and the Business Elite" in William Miller, (ed.), Men in Business. Harper Torch Books, Harper & Row, N.Y. 1962.
1950 "The Recruitment of the American Business Elite" in William Miller (ed.), Men in Business. Harper Torch Books, Harper & Row, N.Y. 1962.

Miller, William

1952 "The Business Elite in Business Bureaucracies: Careers of Top Executives in the Early Twentieth Century" in William Miller (ed.), Men in Business. Harper Torch Books, Harper & Row (orig. 1952), 1962.

1962 (ed.) Men in Business. Harper & Row, N.Y.

Mills, C. Wright

1945 "The American Business Elite: A Collective Portrait" in I.L. Horowitz (ed.), Power, Politics and People. Oxford University Press.

1951 White Collar. Oxford University Press.

1956 The Power Elite. Oxford University Press.

Moody, John

1904 The Truth About the Trusts. N.Y.

1966 "The Masters of Capital: A Chronicle of Wall Street" (orig. 1919), in Berky & Shenton (eds.), The Historians' History of the United States. Two Volumes. G.P. Putnam's Sons, N.Y.

Moore, Barrington, Jr.

1966 Social Origins of Dictatorship and Democracy. Beacon Press: Boston.

Myers, Gustavus

1936 A History of the Great American Fortunes. (Orig. 1909) Modern Library, N.Y.

Naylor, R.T.

1975 "Canada's International Commercial Expansion to 1914." Our Generation, Vol. 10, No. 1.

Naylor, Tom

1975 The History of Canadian Business, 1867-1914. Volumes I & II. James Lorimer & Co., Toronto.

Nelles, H.V.

1974 The Politics of Development: Forests, Mines & Hydro-Electric Power in Ontario, 1849-1941. Macmillan: Toronto.

Nelson, Ralph L.

1959 Merger Movements in American Industry, 1895-1956. Princeton University Press.

Neufeld, E.P.

1969 A Global Corporation, A History of the International Development of Massey-Ferguson Limited. University of Toronto Press, Toronto.

- Neuwirth, Gertrud
1969 "A Weberian outline of a theory of community: its application to the 'Dark Ghetto'." British Journal of Sociology, 20.
- Nevins, Allan
1966 "The Emergence of Modern America, 1865-1875" (orig. 1927) in Berky & Shenton, eds., The Historians' History of the United States. G.P. Putnam's Sons, N.Y.
- Newcomer, Mable
1955 The Big Business Executive: The Factors That Made Him, 1900-50. Columbia University Press, N.Y.
- Newman, Peter
1975 The Canadian Establishment. McClelland & Stewart, Toronto.
- Nichols, Theo.
1969 Ownership, Control and Ideology. George Allen & Unwin, London.
- North, Douglass C.
1961 "The United States in the International Economy, 1790-1950" in S.E. Harris (ed.), American Economic History. McGraw-Hill, N.Y.
- O'Connor, James
1973 The Fiscal Crisis of the State. St. Martin's Press, N.Y.
- Parai, Louis
1965 Immigration and Emigration of Professional and Skilled Manpower During the Post-War Period. Special Study No. 1, prepared for The Economic Council of Canada.
- Parkin, Frank
1974 "Strategies of Social Closure in Class Formation" in F. Parkin (ed.) The Social Analysis of Class Structure. Tavestock Publications, London.
- Patman, Wright
1968 "Commercial Banks and Their Trust Activities." Patman Committee Staff Report for the Domestic Finance Sub-Committee of the House Committee on Banking and Currency, 90th Congress, 2nd Session (July 1968).
- Pelton, Richard
1970 "Who Really Rules America?" Progressive Labor, Vol. 8 (February).
- Pentland, H.C.
1950 "The Role of Capital in Canadian Economic Development before 1875." Canadian Journal of Economics and Political Science, Vol. 16, No. 4 (Nov. 1950).
- 1959 "The Development of a Capitalist Labour Market in Canada." Canadian Journal of Economics and Political Science, Vol. 25 (Nov.).

Petersen, W.

- 1970 "A General Typology of Migration" in Jansen (ed.), Readings in the Sociology of Migration. Pergamon Press, Oxford, 1970.

Perry, Robert L.

- 1971 Galt, U.S.A. Maclean-Hunter, Toronto.

Petras, J.

- 1971 "Class Structure and Its Effects on Political Development" in Colfax & Roach (ed.), Radical Sociology. Basic Books, 1971.

Porter, John

- 1965 The Vertical Mosaic. University of Toronto Press, Toronto.

- 1967 Canadian Social Structure. McClelland & Stewart, Carleton Library, Toronto.

Pratt, Larry

- 1976 The Tar Sands. Hurtig Publishers, Edmonton.

Preston, Lee

- 1964 "Economic Concentration, Size Mobility, and Competition Concepts and Hypotheses." Hearings Before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U.S. Senate, 88th Congress, 2nd Session, Part 1, July 1, 2 and Sept. 9-11, 1964. Warner Modular Publications, #574.

Reynolds, Lloyd G.

- 1940 The Control of Competition in Canada. Harvard University Press, Cambridge, Mass.

Rose, A.M.

- 1970 "Distance of Migration and Socio-Economic Status of Migrants" in Jansen (ed.), Readings in the Sociology of Migration. Pergamon Press, Oxford.

Rose, Stanford

- 1975 "The Misguided Furor About Investments from Abroad." Fortune, May.

Ryerson, Stanley B.

- 1960 The Founding of Canada, Beginnings to 1815. Progress Books, Toronto.

Safarian, A.E.

- 1959 The Canadian Economy in the Great Depression. Carleton Library, McClelland & Stewart, Toronto. (Reprinted 1970).

- 1969 The Performance of Foreign-Owned Firms in Canada. Canadian-American Committee.

Scheinberg, Stephen

- 1973 "Invitation to Empire: Tariffs and American Economic Expansion in Canada." Business History Review, Vol. XLVII, No. 2 (Summer).

- Scott, Franklin D. (ed.)
1968 World Migration in Modern Times. Prentice-Hall: Englewood Cliffs, New Jersey.
- Sharp, Mitchell
1972 "Canada-U.S. Relations: Options for the Future." International Perspectives, Information Canada (Autumn).
- Sheehan, Robert
1970 "Proprietors in the World of Big Business" in M. Zeitlin (ed.), American Society, Inc. Markham Publishing, Chicago.
- Sheridan, Richard B.
1966 "The British Credit Crisis of 1772 and the American Colonies" (orig. 1960) in Cochran & Brewer (eds.), Views of American Economic Growth. McGraw-Hill, N.Y.
- Smigel, Erwin O.
1964 The Wall Street Lawyer. The Free Press: Collier Macmillan, N.Y.
- Smith, Dusky Lee
1970 "Sociology and the Rise of Corporate Capitalism: in L.T. and J. Reynolds (eds.), The Sociology of Sociology. David McKay Co., N.Y.
- Spelt, Jacob
1972 Urban Development in South-Central Ontario. McClelland & Stewart, Carleton Library, Toronto.
- St. John-Jones, L.W.
1973 "The Exchange of Population between the United States of America and Canada in the 1960's." International Migration, Vol XI, No. 1/2.
- Statistics Canada
1971 Canada's International Investment Position, 1926 to 1967. Information Canada, Ottawa (December).
- 1972 Canadian Statistical Review, Historical Summary 1970. Information Canada, Ottawa (August).
- 1975 Canada's International Investment Position, 1968 to 1970. Information Canada, Ottawa (September).
- Sunkel, Osvaldo
1973 "Transnational Capitalism and National Disintegration in Latin America." Social and Economic Studies Journal, Vol. 22, No. 1.
- Tarbell, Ida M.
1966 "The Nationalization of Business, 1879-1898" in Berky & Shenton (eds.), The Historians' History of the United States. G.P. Putnam's Sons, N.Y.

- Taussig, F.W. and C.S. Joslyn
1932 American Business Leaders. Macmillan, N.Y.
- Thomas, Brinley
1958 (ed.) Economics of International Migration. Macmillan & Co., London.
- 1966 "Migration: Economic Aspects." International Encyclopedia of the Social Sciences.
- 1973 Migration and Economic Growth: A Study of Great Britain and the Atlantic Economy. Second Edition. Cambridge at the University Press.
- Thomson, Dale
1967 Louis St-Laurent: Canada. Macmillan of Canada, Toronto.
- Tuckman, Howard P.
1973 The Economics of the Rich. Random House: N.Y.
- Turner, Lewis
1971 Invisible Empires. Harcourt Brace & Javanovich.
- Turner, Ralph H.
1966 "Modes of Social Ascent through Education: Sponsored and Contest Mobility" in R. Bendix and S.M.Lipset (eds.), Class, Status and Power. Second Edition. The Free Press, N.Y.
- United Nations Department of Economic and Social Affairs
1974 Multinational Corporations in World Development. Praeger Publishers, N.Y.
- Van Alstyne, R.W.
1960 The Rising American Empire. Oxford University Press, N.Y.
- 1965 Empire and Independence. John Wiley & Sons, N.Y.
- Van der Kroef, J.M.
1970 "The U.S. and the world's brain drain." International Journal of Comparative Sociology, 11 (3) September.
- Vaupel, James W. and Joan P. Curhan
1973 The World's Multinational Enterprises. Harvard University: Boston.
- Vernon, Raymond
1971 Sovereignty at Bay, The Multinational Spread of U.S. Enterprises. Basic Books, N.Y.
- 1972 Manager in the International Economy. 2nd Edition. Prentice-Hall, Englewood Cliffs: New Jersey.

Viner, Jacob

- 1924 Canada's Balance of International Indebtedness, 1900-1913.
Harvard University Press, Cambridge.

Wallerstein, Immanuel

- 1974a "Dependence in an Interdependent World: The Limited Possibilities of Transformation within the Capitalist World Economy." African Studies Review, Vol. XVII, No. 1 (April).
- 1974b "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis." Comparative Studies in Society and History, XIV, 4 (October).
- 1974c The Modern World System. Academic Press, N.Y.
- 1975 "The Present State of the Debate on World Inequality" in Wallerstein (ed.), World inequality. Black Rose Books, Montreal.

Warner, Lloyd W. & James Abegglen

- 1955 Occupational Mobility in American Business and Industry, 1928-1952. The University of Minnesota Press: Minneapolis.

Warnock, John W.

- 1970 Partner to Behemoth: The Military Policy of a Satellite Canada. New Press, Toronto.

- 1975 "Canadian Sub-Imperialism? A Reply." This Magazine, Vol. 9, No. 1 (Mar-Apr).

Watkins Report

- 1970 Foreign Ownership and the Structure of Canadian Industry. Information Canada, Ottawa.

Weber, M.

- 1968 Economy and Society. (Eds. G. Roth and C. Wittich). Bedminster Press, N.Y.

Wecter, Dixon

- 1966 "The Age of the Great Depression, 1929-1941" in Berky & Shenton (eds.), The Historians' History of the United States. G.P. Putnam's Sons, N.Y.

Weldon, J.C.

- 1966 "Consolidations in Canadian Industry, 1900-1918" in L.A. Skeoch (ed.), Restrictive Trade Practices in Canada. McClelland & Stewart, Toronto.

Wilkins, Myra

- 1970 The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914. Harvard University Press, Cambridge, Mass.

Wilkins, Myra

1974 The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970. Harvard University Press, Cambridge, Mass.

Williams, Glen

1975 "Canadian Industrialization: We Ain't Growin' Nowhere." This Magazine, Vol. 9, No. 1 (Mar-Apr).

Williams, William Appleman

1966 The Contours of American History. Quadrangle Books: Chicago.

Wolfe, David A.

1973 Political Culture, Economic Policy and the Growth of Foreign Investment in Canada. Masters Thesis, Department of Political Science, Carleton University, Ottawa.

Wolff, R.

1971 "The Foreign Expansion of U.S. Banks." Monthly Review, Vol. 23, No. 1.

Zeitlin, Maurice

1974 "Corporate Ownership and Control: The Large Corporation and the Capitalist Class." American Journal of Sociology, Vol. 79, No. 5 (March).

END

4 0 3 7 7

FIN