

herself advantages at the expense of countries which thought they had binding obligations.

The other factor was American desires based on a view of the world as divided by the Cold War. Two things have happened since then. One is that the Cold War situation has changed completely. A lot of the logic behind the Common Market and other things has disappeared. The idea that the Russians and the Americans would be locked at each other's throats, that it took European civilization to civilize those two barbarians, has been reversed. Those two barbarians have done a lot better at running the world without war than the Europeans ever did, and they will continue to do that.

The importance of building Europe as a counterweight to those two barbarian forces seems to me now to be nonsense.

Anyway, Canada is not going to have an influence one way or the other on polarization if other countries, bigger and more determined, have the determination to become more polarized.

I do not think polarization will be a problem, because the European Common Market itself is falling apart. Its agricultural policy, which is supposed to cement everything together, fell apart. It is still in a mess. Its force for political union has gone. Its common currency proposal, which was to be the next step, has disappeared because they cannot manage it. The oil crisis showed that when it is a question of giving up oil for someone else, or getting it for yourself and the devil take the hindmost, then let the other guys be the hindmost, and so forth.

Finally, we come to political union. It is complete nonsense to say that economic union leads to political union. The facts of history for hundreds of years show that there have been free trade arrangements without there being political union. And there have been lots of political unions without free trade arrangements.

My attitude is that we are most likely to go for political union when the world is so divided that we as a nation, which exports and trades in many different kinds of things, find ourselves cramped and our population suffering from discrimination. We will then throw in the towel and say, "If we either have to starve to death up here or join the United States and be rich, we will join the United States." If we do not have that alternative, we won't, if we can be reasonably well off without becoming American.

I see no forces in Canadian society that are strongly in favour of becoming American. I see no forces in the United States that want Canada to be part of the United States. I can see political union with the United States only as a result of a desperate effort by Canadians to save something for themselves out of this disintegrating world.

That is why I think that in a sense free trade is the best guarantee we have against that, because free trade will guarantee us the opportunity to markets which we might otherwise not have without meeting the cost of political union in order to gain access. When it is a choice between starving to death and giving up some independence, Canadians are not unique in preferring

to live, and live reasonably well, rather than demonstrate for a political principle.

Senator Macnaughton: Doctor, I am afraid you are beginning to shake the foundations of the Department of External Affairs. Perhaps they will not read these remarks either. How do you consider the new Foreign Investment Review Act? Do you think it will be an effective way of controlling the growth of foreign ownership in Canada?

Dr. Johnson: I am not particularly familiar with that legislation. I must plead illness as partial excuse. The other is that I find it very difficult, reading Canadian history in the last few years, to know just what is going on. I read newspaper reports that we are going to do something, and we do not do it; and then we are going to do something else, and we do not do it.

As an economist, I am not particularly concerned about this foreign ownership business. I think we did get straightened out in Canada on that to some extent some years ago when we started off, you will recall, thinking that the problem of foreign ownership was that they were going to do bad things for us economically. That got straightened out as a result of the work of a lot of Canadian economists researching this question and seeing what the facts were, whether American enterprise discriminated against employing Canadians, and so forth; and they came up with a pretty clean bill of health.

At that point the American government decided to use its corporations as a means of implementing its balance of payments policy, and the complaints had a new lease on life on that.

It seems to me that the major issue in foreign investment is really this question of use by the home government politically of the corporations for its own means rather than economic ones.

Your attitude is probably different from mine. I do not want to impute something to you. As a boy who grew up in Toronto, it did not really make much difference to me if it was Timothy Eaton or some American company that was running the big store. I did not have shares in it, and I did not have much chance of getting any. What I wanted was good service. If the Canadians were not prepared to provide it and the Americans were, fine, it would not make much difference to me.

I think that this concern about ownership is a mixture of two kinds of ideas, both of which are wrong. The first idea is simply that a nice clean-cut young Canadian is going to be a nicer fellow to do business with than the same crew-cut American type. I do not believe that at all. When the chips are down in business they have to be businesslike.

The other is a mixture of strange ideas about the nature of society, which come to us essentially not from our own country but from European ideas. There is the idea that somehow ownership is tremendous power.

I have met many people who owned businesses who were sweating blood all the time. They did not have much power, they had a lot of responsibility. The notion that somehow ownership conveys tremendous power does not really impress me as being very realistic. There is the belief that our society is divided into a few who