Hurtig challenged...

Sir,

May I address a few questions to Mel Hurtig about his article ("The sharing has been done: now we need equitable dividing") in the U.S. Bicentennial Special Issue of *International Perspectives*. How does he reconcile his description of the contemporary Canadian mood as one of "maturing confidence" with his fear, bordering on panic, that "the world's foremost branch-plant economy" is on the brink of bankruptcy because of its "disastrous economic relations with the U.S."? We now have a problem, he whines, that "we simply cannot manage". Poor Canada!

The primary cause of Hurtig's alarm is the substantial outflow to the United States of interest payments, dividends, and "service charges". On the other hand, he persists in complaining that foreign-controlled firms have the nerve to reinvest a portion of their earnings in Canada. *What does he want?* Should these firms compound Canada's imbalance of payments by sending all their profits home? Or should they be retained in Canada, thus augmenting foreign ownership of Canadian industry?

If Hurtig were concerned to maintain a sense of proportion, he would speak in terms of proportion instead of bewildering billions. Has he not heard of growth? or inflation? The current outflow of interest and dividends is certainly formidable. As a proportion of Canada's gross national product, however, it has declined from 2.6 per cent in 1950 to 1.7 per cent in 1975; prior to 1930, the proportion exceeded 4 per cent. The cost of foreign investment has indeed increased but less than Canada's capacity to pay.

Similarly, while American investment in the Canadian economy continues to grow in dollar terms, it has declined both as a proportion of foreign investment in Canada (from 84.3 per cent in 1955 to 79.4 per cent in 1973) and in relation to Canada's GNP (from 27.5 per cent in 1960 to 21.9 per cent in 1973); as a proportion of total corporate investment (excluding financial institutions), American control has decreased from 29 per cent in 1969 to 27 per cent in 1975.

Hurtig complains that Ottawa is still facilitating the growth of foreign control by actively promoting "foreign direct investment". Has he not noticed that direct investment entering Canada has dropped dramatically? Indeed, in 1975 there was a net outflow from Canada of $205 million, and this is expected to double in 1976.

Where does Hurtig get the idea that the Economic Council of Canada has ignored "the 'Canadian' manufacturing industry's 22-percent-behind-the-U.S. productivity gap"? The 22 percent figure is the very one calculated and publicized by the Council, and much of its recent work has been concentrated on means to reduce the gap. Hurtig might try reading, for example, *Looking Outward*, the Council's challenging study of Canada's commercial options. I'm relieved that he does not propose a hike in Canada's relatively high tariff structure, our inheritance from earlier generations of economic nationalists that goes far to explain the foreign control over Canadian manufacturing, the miniature replica syndrome and the low productivity that Hurtig, rightly, strongly deplores. But why does he not endorse the Council's free-trade approach to increased productivity? Or at least give us his own recipe for the increase in "domestic efficiency" that he deems essential?

Most of Hurtig's figures are reasonably accurate. Even if the situation is not quite as desperate as his statistics have been selected to suggest, Canada certainly faces a severe balance-of-payments problem. Nor can it be denied that non-residents, mostly American, control about 10 per cent of Canada's total wealth, and nearly a third of its business activity. Where Hurtig's article is deficient is in evidence to support his apparent belief that all of Canada's economic woes are caused by the level of foreign ownership.

While I have pen in hand, may I make a few comments and clarifications on my own article ("The United States: good friend and benevolent neighbour") which appeared in the same issue. The following statement should have been appended to it:

"The interviews were conducted as part of the Canadian International Image Study directed by Roddick Byers, Thomas Hockin, David Leyton-Brown and the author. All the interviews in the foreign capitals, and over half the interviews in Ottawa, were conducted by me, and my colleagues bear no responsibility for the preliminary conclusions drawn in the article. These may be modified after careful analysis."

If I were rewriting the article, I would note that the foreign experts, although representing a good "mix" of developed and underdeveloped countries, aligned and non-aligned, could not be selected as scientifically as was the Canadian élite, and they were