

By Melville Watkins



worst, we have a technology that under the name of progress is out of control and may yet get us all.

The United States is presently characterized by a number of serious problems — not only its contribution to the balance of nuclear terror but imperialism and aggression abroad and poverty and black ghettos at home. It may seem unfair to blame all this on the corporations but who else so clearly runs America?

What has this to do with the multi-national corporation? The multi-national corporation is simply the extension of the corporation into other countries. Most of the multi-national corporations are, in fact, American-based with Americans as shareholders and top managers, so their foreign activities can be regarded as the global extensions of American corporate capitalism. In terms of rhetoric, perhaps even of intentions, these corporations see themselves as having evolved into a new form as they have become multi-national. In terms of their internal structure, particularly their communications systems and to some extent their decision-making structure, many have. But in terms both of the basic corporate imperatives and the hierarchical, authoritarian structure, little if anything has changed.

The Nation-state And Power

What about the nation-states? Do they have power? By going abroad, the American corporation comes into more direct contact with foreign governments than in the old days when trade mattered rather than direct investment. Now the American corporation at home, as it went national in the late nineteenth century, had to cope with sub-federal governments. Abroad, it must now cope with other national governments. On the whole, the latter are more troublesome than the former, but the corporations control many things others want — technology, brand names, tied markets — and only play off governments against each other.

The economist Dudley Seers wrote an article with the pregnant title: "Big Companies and Small Countries". In terms of income generated, General Motors is larger than many countries in the world. American investment abroad considered as an economy is presently exceeded in size by only two national economies, the U.S. and the U.S.S.R. Not surprisingly, and appearances to the contrary notwithstanding, few countries have been able to develop anything like an effective national policy for dealing with foreign ownership. While Canada is at the extreme end of the policy spectrum with a do-nothing policy, other countries with positive policy have had to make important concessions to the real power of the multi-national corporation. De Gaulle found that a hard-line policy in France only caused American firms to set up in Belgium and export to France, a process made possible by the cutting of tariffs consequent on the American-backed E.E.C. Japan, a large industrialized country, had to yield to IBM.

Is there any room for manoeuvre? What ought the policy of host countries to be? In the parlance of economics, foreign direct investment creates both benefits and costs for the host country. So the economists' advice, which pervades the Watkins Report, is to maximize net benefits. This is easier said than done. The benefits and the costs inhere in the very process of direct investment; it is impossible to eliminate the political, social and cultural. Since they do not lend themselves to being reduced to a common denominator, the notion that a net benefit, or net cost, can be calculated, or quantified in money terms, is an illusion.

Political economy having died, it is conventional to see the benefits as economic

and the costs as political. This is useful for policy-makers, who can then try to increase specific benefits and decrease specific costs in specific ways; hence the Watkins Report.

New Perspective

From a different, perhaps more fundamental perspective, the distinction between economic benefits and political costs breaks down. Foreign ownership creates a branch plant economy. The result is economic growth, as incomes tend to rise in pace with the larger economy to which the branch plant economy is tied — that is, rising per capita income within an existing institutional shell absorbing foreign technology but not generating its own — but not economic development in the sense of continuing transformation of the economy as a prerequisite for autonomous and sustained growth. Hence the customary dichotomy between political independence and economic benefits — namely, that independence would create costs in terms of lowering the standard of living — may be false, at least in the long-run.

To focus more directly on the political, it can also be argued that a branch plant economy tends to become a concessionary economy dominated by elites who see their job primarily as minimizing tension within the imperial system. We could debate whether the long-standing Canadian practice of quiet diplomacy is or is not in Canada's interest, but we would be certain that it is in the American interest.

In fact, strong advocates of foreign ownership and the multi-national corporation always say that there are both economic benefits and political benefits. Strong critics should say that there are both economic costs and political costs.

Another way of generating insights is to see the problem of foreign ownership as resulting from the interface between the multi-national corporation and the nation-state. There is a tendency in some quarters to see this as an unequal struggle, with the multi-national corporation being hailed as the wave of the future and the nation-state as the dead hand of the past. The future is uncertain, but the multi-national corporation is, in any event, the wave of the present. As previously noted, there are a number of serious problems today — to which at the world level we should add the poverty of most of the world and the apparent failure of most countries to develop in spite of the multi-national corporation — suggesting that corporate capitalism is dysfunctional, even dangerous. The nation-state may have its limitations, but what other political and social entity is there to cope with reality?

And, of course, one should be suspicious of the extent to which it is Americans like George Ball who praise the multi-national corporation and deplore other countries' nationalism. After all, they have most of the multi-national corporations and see them as a way of spreading the American Great Society around the world. If nationalism is to be deplored, American nationalism must head the list. Other countries need to be nationalistic to protect themselves from American fall-out.

While nationalism is therefore a virtue, that is not to say that some varieties are not more virtuous than others. I do not have in mind here the prevalent Canadian view that nationalism is good, but anti-Americanism is bad. Indeed, it should require only a moment's reflection to realize that anti-Americanism is a much more viable position than pro-Canadianism — since I had to invent the latter term. Rather, what I have in mind is the limitations of sentimental nationalism, which for Canada includes bourgeois nationalism. The business class of this country has always

been emasculated and cannot provide a base for a viable nationalism. I am increasingly of the view that nationalism for Canada must mean, and can only mean, a nationalism of the left.

If we damn both the multi-national corporation and the nationalism we have known, it is only to place a very heavy burden on those who would give us an alternative future. A tolerable future — if there is to be one at all — can mean only the humanizing and democratizing of a technological society presently dominated by corporate capitalism. Difficult though it may be to translate such a statement into practical political terms, we should at least know what the name of the game is.

Canadian Guidelines

And difficult though it is, we should at least try. Let me attempt to lay down some guidelines — if you will forgive me such a banal term:

— to the extent that rising standards of living remain a legitimate and necessary goal, Canada should attempt to create a self-sustained economy more capable of autonomous growth, that is, an economy more under Canadian ownership and control. Given Canada's comparative advantage in resource exports, resource policy should favour Canadian ownership as breeding grounds for Canadian entrepreneurship, private and public. The Trudeau government is concerned about Canadian ownership within the Arctic Circle; the rest of Canada remains for us to worry about. Given the inefficiency of Canada's secondary manufacturing industry, rationalization programmes are needed which are, in fact, economic planning to increase Canadian control, private and public. A first step is the Canada Development Corporation.

— to the extent that Canada as a nation-state must be created to fight American intrusions, institutions and policies should be created to countervail American extraterritoriality via the parent-subsidiary relationship. The Watkins Report makes specific and useful proposals in this regard. The proposed government export trade agency to attempt to counter American restrictions on trade with communist countries should be extended to engage in state-trading.

— the mercantilist, or neo-colonial, strategy of seeking special status within the American Empire and smoothing over issues by quiet diplomacy must cease. While

this would not be easy, it is a necessary part of the strategy of bringing the Canadian economy more under Canadian control.

— the politics of the future must transcend the impersonality, bureaucracy and mindless pursuit of technological "progress" of corporate capitalism if it is to really matter. Old conceptions of national planning — which have been kept alive by organizations such as The Ontario Woodsworth Memorial Foundation and for which we should all be grateful — are seriously in need of being rethought and supplemented. The nation-state is needed as a holding-operation against the multi-national corporation — and hence the case for much stronger Canadian policy. But the greater need is for communal action, probably largely at the sub-national level, to plan environments rather than to live in those imposed by the present system. A community worthy of the name must at least be able to deal with the social costs of technology, and at best begin to establish different priorities.

If these things are to happen, people must be politicized. The solution does not lie in giving power to the technocrats. Nor does it lie in electoral politics alone. For electoral politics needs to be supplemented by confrontation politics focussed less on national issues and more on day-to-day felt concerns.

University students protesting Dow Chemical's recruiting on campus contribute more to Canadian understanding of American imperialism than could any national debate on foreign ownership. When workers complain about inflation, they should be informed that in the Canadian branch plant economy, no effective means exists to control prices. When middle-class workers get uptight because they are priced out of the housing market and middle-class students cannot find remunerative jobs, they should be told that they are experiencing a fate common to one-third of the population of this country that lives in genuine poverty. When the N.D.P. finds an easy target in the lethargy and inefficiency of Canadian capitalism, we should ask that the possibility be considered that the real enemy is American capitalism.

To lengthen this list would be a useful exercise for all of us.

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