

A primer in Canadian history

(or, What you missed in those 'Canadian' courses at York)

In the beginning there was U.S. capital . . .

Although J.A. Hobson (1858-1940) was a liberal British economist and free trade advocate, his famous study *Imperialism* was a major influence on Vladimir Lenin's political theories. Hobson came to Canada in 1906 to "make a special inquiry into the effects of the tariff on political relations between Canada, Great Britain and the United States." Even at the turn of the century, he could see the growing dominance of U.S. capital in the Canadian economy. From *Canada Today* (1906).

"... if Canada is really destined to quick development it will be achieved by a large influx of American capital and labour, inventive and organized energy. What is already happening makes this manifest."

"Indeed it is one of the frequent boasts of the Canadian protectionist that his tariff sucks in American capital, forcing the great Trusts to set up inside Canada, with Canadian labor, instead of exporting goods from their American mills, though in the next breath the same protectionist, in his capacity of British Imperialist, expresses his regret that British capital will not come into Canadian 'industries'. A large proportion of the big manufacturers and railroad men are American born and the training and business ideas they bring are imported from the States."

"This widespread reckless alienation of lands, mines, forests and water powers has virtually handed over the control of the future of Canada to a group of economic potentates similar to those who today rule the destinies of the great American Republic."

"The same triangle of capitalist forces is seen — railroads, financial companies, industrial trusts — and the greatest of these is the railroads. It requires little study of the map of Canada to perceive that the railroad is there a more potent ruler than in any other country of the world. The whole of Canada today is a thin trickle of population and of industry along a long-drawn-out railroad. The CPR is by far the greatest institution in the country. It is rightly known as 'the government on wheels.'"

"Its investors had the courage and the faith to stake their money on the future of the country at a time when the Government quailed before the risk and the expense. For this lack of courage and of faith the people of Canada will pay a heavy price — the price of their economic liberty."

It was only a matter of time before the British century came to an end. The new age dawned. . .

Canadian historian and nationalist A.M.R. Lower (1897-) recalls the event of the birth of the new colonialism and also the leading midwife's story of how it all happened. From *My First Seventy-Five Years* (1967).

"One nice old lady asked me whether, in the event of a German victory, the British empire would be moved to Canada." No, madam, I replied, it would be moved to the United States. She seemed rather surprised at the answer, but, in the light of the last twenty-years, is that not pretty much what has happened? . . .

"Our Winnipeg Institute on International Affairs was addressed by a leading civil servant, one L.B. Pearson. He talked on 'War and Canadian-American Relations,' which he himself at the time was trying to keep smooth. I have forgotten most of what he said, except one statement. Talking about our position in Washington, he made it clear that we were able to maintain special relations with both the British and the Americans because of our ambivalent nature, which made us British with the British and Americans with the

Americans; as he put it, 'we can work both sides of the street.' I have always understood that this phrase referred to ladies who made their living on the streets in not the most honorable ways. I asked Mr. Pearson if he did not think we, Canada, were in much the same position as these ladies. The meeting did not seem to like the comparison too well."

The meeting may not have liked Lower's comparison but reality has a way of defying audiences. It also starts to bother people. . .like . . .

Harold Innis (1894-1952) was the first Canadian to be appointed chairman of the University of Toronto political economy department and later became dean of graduate studies there. Internationally famous for his painstakingly detailed studies of Canadian capitalism, this liberal political economist turned in later life to developing theories of communications and studying the cultural effects of U.S. domination of the Canadian economy. In all this he leaves an insight into the many different ways in which "Canadian history is on the point of being reversed from nation back into colony." From *The Church in Canada* (1947). Recent Developments in the Canadian Economy (1941), *Great Britain, Canada and United States* (1948) and *Political Economy in The Modern State* (1944).

"... It is a source of constant frustration to attempt to be a Canadian. Both Great Britain and the United States encourage us in assuming the false position that we are a great power and urging that we have great national and imperial possibilities. From both groups we are increasingly subjected to pressure and in turn to bureaucratic tendencies dictated by external forces . . . We seem destined to occupy in North America the place of Czechoslovakia as a show window in relation to Russia in Europe, first as to the British Empire and second as to the American Empire."

"Rigidities in some relationships between Canada and the United States have accentuated concentration on flexibilities in others. . . Capital movements have been encouraged in every possible way. American firms not only have responded to encouragement but have been quick to see the implications of differences in price levels or of instability in American policy and have set up branch plants to take advantage not only of the Canadian market but also of the diverse markets provided by imperial and other agreements. The automobile and the agricultural implement industries will serve as illustrations. The aluminum industry on the Saguenay was a result not only of the search for investment in hydro-electric power development by the Duke interests but also of the search for a means by which the Aluminum Company of America would participate effectively in a world cartel. American industry has recognized the importance of maintaining a position in other countries to offset the effects of disinvestment in the U.S."

"In the Anglo-Saxon world we have a new mobilization of force in the United States with new perils, and all the resources of culture and language of the English-speaking peoples, including those of the United States, will be necessary to resist it. In the crudest terms, military strategy dominated by public opinion would be disastrous . . .

"Canadians can scarcely understand the attitude of hostility of Europeans towards Americans because of the overwhelming influence upon them of American propaganda. Americans are the best propagandists because they are the best advertisers. Whatever hope of continued autonomy Canada may have in the future must depend on her success in withstanding American influence and the



pressure of the United States and Russia. But there is little evidence that she is capable of these heroic efforts and much that she will continue to be regarded as an instrument of the United States."

"The development of advertising and mass propaganda masquerading as education compel the consent of the governed. Legal institutions like religious institutions tend to be weakened as bulwarks of liberty. The overwhelming amount and complexity of legislation inspired by bureaucracies weakens the influence of the courts by adding to their burdens and stressing the spread of administrative law. The social sciences reflect the demands of industrialism and capitalism."

Faced with all these threats, how did the Canadian intellectual academics react? The most outspoken critic of the latter was . . .

Frank Underhill (1890-), a Canadian historian and a founder of the CCF Party, edited *The Canadian Forum* when it was a radical periodical. In the cold war atmosphere and economic boom of the 1950s he gave up his radicalism and became an apologist for Lester Pearson. From *The Conception of a National Interest* (1935).

"No doubt the Communist historian of the next century will point to this curious eagerness of

political scientists to focus their attention upon their federal political institutions instead of upon their capitalist economic institutions as merely another variation in the escape technique adopted by timid intellectuals in a revolutionary period. . .

"Our economists have played the humble self-imposed role of minor technicians, never questioning the major purposes of the capitalist system in which they found themselves, never venturing any opinion about the general planning of the machine or the powering of its engines, pottering about with their little statistical measuring instruments, doing occasional odd repair jobs on Royal Commissions, such as putting new brake linings into the financial mechanism, happy in their unambitious way as the intellectual garage-mechanics of Canadian capitalism. . .

"Our historians have played a rather flashier role. Not for them the greasy grimy jobs of testing and repairing in the workshop. They have been out among the white-collar boys in the sales-office in front, helping to sell the system to the public with a slick line of talk about responsible government and national autonomy."

With only token resistance from labor, students and intellectuals, in the early 1960s the Canadian government finally had a free hand in selling the resources of the Canadian people to the U.S. An early

voice of protest was that of

George Grant, a philosopher, social critic and educator, was the first since the 1950s to reintroduce nationalism to a pacified Canadian public. His book *Lament for a Nation* created a controversy when it was published in 1965. It was an indictment of the sellout. But in true colonial style, his pessimism undermined much of what he had to say. From *Lament for a Nation*.

"... after 1940 it was not in the interests of the economically powerful to be nationalists. Most of them made more money by being the representatives of American capitalism and setting up the branch plants. No class in Canada more welcomed the American managers than the established wealthy of Montreal and Toronto, who had once seen themselves the pillars of Canada. Nor should this be surprising. Capitalism is, after all, a way of life based on the principle that the most important activity is profit-making. That activity led the wealthy in the direction of continentalism. They lost nothing essential to the principle of their lives in losing their country. It is this very fact that has made capitalism the great solvent of all traditions in the modern era. When everything is made relative to profit-making, all traditions of virtue are dissolved, including that aspect of virtue known as love of country. This is why liberalism is the perfect ideology for capitalism. It demolishes those taboos that restrain expansion. Even the finest talk about internationalism opens markets for the powerful."

"The economic self-seekers had

never been the ones to care about Canada as a nation."

But the ever-increasing domination of the Canadian economy did not alarm the Ottawa establishment; they welcomed and threw their political lot in with it. On occasion they documented this takeover with bureaucratic indifference. One of them was . . .

J.J. Deutsch, a prominent economist and former head of the Economic Council of Canada, is now principal of Queen's University in Kingston. He had a privileged view of everything that went on in Ottawa during the Pearson years. From *Recent American Influence in Canada*.

"Geographical proximity, the desire of security in the circumstances of the cold war, and the absence of impediments to foreign enterprise and foreign investment all gave Canada a decided advantage, in the eyes of the United States interest over alternative foreign sources. . . When shortly after the War, new discoveries indicated that the prairie provinces contained large pools of oil and gas, the huge United States international companies with their world-wide experience, know-how and ready access to capital, moved in on a large scale. This was facilitated by the fact that a number of these companies were already established in Canada and also, by the fact that if Canadian production of oil and gas expanded sufficiently, outlets would have to be found in the United States in any case. The discovery in Canada of immense resources of uranium coincided with the search by the U.S. of adequate and assured supplies of this strategic material for the atomic energy program. . . The Canadian frontier became The North American Frontier."

And what the Canadian intellectuals didn't want to hear, a hard-nosed U.S. cold warrior could and did analyze for them. . .

Hugh G.J. Aitken is one of the few U.S. academics who specializes in the study of Canada. He describes to U.S. audiences the benefits of exploiting the land to the North. From *American Capital and Canadian Resources* (1961).

"United States private foreign investment has tended to concentrate in those areas of the world that offer a relatively high degree of security, principally Canada, Western Europe, and certain parts of Latin America. . . Long-run commitments of capital, of the type that resource development requires, are impossible without assurance that property rights shall be inviolate. This is the basic prerequisite; anything short of this is merely tinkering with the problem. . .

"The unexploited but potentially rich resources of the world exist today, by and large, in areas that have been outside or on the margin of the spread of industrial, urban civilization. These are, to speak in general terms, the areas we call 'underdeveloped'. They are also the areas most affected at present by poverty, by the virus of anti-colonialism, by suspicion of Western capitalism, and by the deep-seated desire to become masters of their masters of their own political and economic destinies. Development of the natural resources of such countries by foreign corporations, particularly when the raw materials produced are destined for use outside the country of origin, is a delicate enterprise . . .

"At present, however, Canada occupies a distinctive position as a field for American resource investment, for it offers at one and the same time all the advantages of a highly developed commercial society and all the attractions of a

resource frontier whose potentialities have so far barely been tapped. The positive virtues of the developed and the underdeveloped are there present in a single economy. A vigorous society, highly commercialized in its outlook, enjoying stable government under a well established political and legal system. . . it can claim the second highest standard of living in the world and a climate for investment that, despite an embryonic nationalism, leaves little to be desired. . .

"Add to these considerations similarity of language and culture, geographical proximity, a closely integrated continental transport system, and commitment to joint defense, and the rationale for American investment in Canada becomes clear."

Late in the 1960s a few liberals stopped, looked around and asked: 'My God, What's Happening To The Country?' One of these was Walter Gordon. He went on a campaign to buy Canada back from the U.S. But the U.S. wasn't selling. And even if it did, the question remained: 'Who are they going to sell it back to?' Gordon suggested the present Canadian branch plant managers. But it's too late for that. Even Prime Minister Pierre Trudeau laughs at the idea. What then are the political implications of the new nationalism?

Daniel Drache, a University of Toronto graduate student, made a study of Americanization at U of T. From *The Canadian Bourgeoisie and its National Consciousness* (1970).

"Bourgeois nationalism is a spent force in Canada. The Canadian people are indifferent to it and the bourgeoisie themselves have no faith in it. What remains powerful and alive in the national consciousness is the force of sentimental nationalism. It expresses the discontent and the general anxiety of the Canadian people with their future of living in an advanced capitalist and advanced colonial state. . .

"Sentimental nationalism is not a revolutionary force because it does not isolate and crystallize the economic contradictions of capitalism. But it does create the conditions out of which will evolve a revolutionary nationalism — namely, anti-imperialism, which provides the only alternative to the policies of the Canadian bourgeoisie. An anti-imperialist struggle is the only way to break through the tight circle of Canadian history. Anti-imperialism, anti-capitalism and Canadian independence are an inseparable unity."

Mel Watkins, a professor at the University of Toronto, presented a manifesto to the New Democratic Party national convention in Winnipeg last year demanding a struggle for a socialist, independent Canada. From *the Watkins Manifesto* (1969).

"An independence movement based on substituting Canadian capitalists for American capitalists, or on public policy to make foreign corporations behave as if they were Canadian corporations, cannot be our final objective."

"Capitalism must be replaced by socialism, by national planning of investment and by the public ownership of the means of production in the interests of the Canadian people as a whole. Canadian nationalism is a relevant force on which to build to the extent that it is anti-imperialist. On the road to socialism, such aspirations for independence must be taken into account. For to pursue independence seriously is to make visible the necessity of socialism in Canada."