

# ruled in Canada

occupational classes, labour and agriculture, have never totalled more than 20% representation.<sup>14</sup> But the situation of role exchange here becomes in a way more a question of social affinity.

## Social affinity

Social affinity means the affinity between two groups due to similarities in social, educational, and occupational background and income grouping. In the context of power and influence we are examining, it is a question as to whether an MP who used to be a lawyer will be more attuned to the desire of a corporation lawyer in the business elite, or to the desires of a pig farmer. Porter's studies indicate that over 50% of the economic elite received university training. Other studies have revealed that 75% of the political elite hold university degrees.<sup>15</sup> This compares with only 8% of the rest of Canadians who hold university degrees.<sup>16</sup> Connections with private schools such as the Upper and Lower Canada Colleges, and universities such as McGill, Toronto and Queen's, also strengthen the bond between the economic and political elites.

*Among the constant facts and tendencies that are to be found in all political organisms, one is so obvious that it is apparent to the most casual eye. In all societies - from societies that are very meagerly developed and have barely attained the dawns of "civilization," down to the most advanced and powerful societies - two classes of people appear - a class that rules and a class that is ruled. The first class, always the less numerous, performs all the political functions, monopolizes power, and enjoys the advantages that power brings, whereas the second, the more numerous, is directed and controlled by the first ...*

Gaetano Mosca, *The Ruling Class*

This education serves not only to link these elites, but also to link them to the most politically-active segment of the Canadian public. Studies by 1) Almond and Verba and 2) van Loon, indicate that education usually has a stronger effect on patterns of political participation than income or occupation.<sup>17</sup> It also serves as ties and access to the very influential upper-echelon of civil servants, the majority of whom are professionals or executives moved from the business world, but still sharing the cultural and economic background of those of the economic elite. These social relationships, then, that Underhill used to indicate power, seem to exist. There is role exchange from one group or elite to the other. These are social, educational and occupational connections which allow access and are a source of affinity.

The inputs that are influenced are interest groups - greater access; civil service - greater access, interaction with and affinity for the economic elite; individual members - same as civil service. The three areas left untouched by our discussions are wealth as a determinant of power, influence upon public opinion and the individual constituents' wants. Perhaps the complex uses of money in influencing affairs should be looked at first, since much of the influence upon public opinion can be seen as relating to the amount of money spent in publicity through the media outlets.

## Wealth

In our discussions of interest groups, we would have to admit that it was wealth, to a large extent, which gave the business-industrial groups the amount of power they have. It is because the organizations can be structured and staffed with competent people (requiring attractive salaries), because they can afford to lobby in the right place at the right time (delegate and travel expenses), because they can afford to use media outlets, social approaches through "exclusive" clubs, and so on, that they enjoy a privileged access to their inputs to the political elites.

Likewise, wealth is what determined

the nature of the schools and oftentimes occupations that the economic elite attended and engaged in. It was through those experiences that they gained affinity with the political elite. But in much more obvious ways wealth can be used to influence and consolidate power to control various legislative inputs. The decision by political parties to utilize mass media outlets to advertise their political wares, increased the budgets of their organizations considerably.

## And what about donations?

The biggest spenders are the Liberals and Conservatives, whose financial burdens have increased commensurately as they respond to the temptations of utilizing the media for more and more publicity. Since neither of these parties has a stable membership base from which to obtain funds, they are increasingly dependent upon full-scale donations, mainly from business.<sup>18</sup>

These campaign donations which Underhill talks of and which Harrill mentions in relation to media, are largely donated by corporations or members of the economic elite. In 1953 Harrill

estimated that 50% of the Liberal parties campaign funds were derived from commerce and industry, 40% from businessmen linked to particular firms and only 10% from private donations.<sup>19</sup>

Last year Eaton's, "like most other corporations" according to February 23rd, 1976 issue of *Maclean's* magazine, attempted to hedge its political bets by giving the Tories \$26,368 and the Liberals \$15,000. This is tempered to some extent by the fact that four of the country's largest oil companies - Imperial Oil, Shell, Texaco and Petrofina - all announced a halt to political donations. Whether that will remain a permanent feature in a new political-corporate relationship remains to be seen.

## The gifts - what do they mean?

Of course, there is no way of empirically determining the amount of influence donations have on the policies that the differing parties adopt. Surely, however, we can assume that these business concerns are not motivated by purely altruistic thoughts. Obviously to be donating the amount of money that they do, they expect to receive something in return. That something may just be that they are allowed access, or it may extend much further - no one really knows. It is safe to say, however, that the influence exerted could be considerably. This particularly validates Underhill's definition of the ways in which big business concerns exert influence - through lobby, social interaction and campaign contributions. But what of the unofficial lobby he spoke of? It is known that most interest groups try to influence public opinion. They may do this through mass media outlets, public polls or petitions, inter-action with MPs for news - it really doesn't matter which way the attempts are made.<sup>20</sup> But the attempts are made. Why?

## What about the media?

Any why, for example, when the Carter Report (concerned with politics and the media) came out, did professional and business concerns appeal (so vocally)

## APPENDIX II American Ownership And Influence Of Canadian Industry

While it is true that such countries as Great Britain, Japan and West Germany maintain large amounts of investment capital in Canada, the great majority of foreign-owned businesses and capital present in Canada now - and has been since the middle 1920's - is American.

Following our definition of an economic elite, we wished to examine the degree of influence this elite exercised on the Canadian legislative process. Before doing so, it would be wise to examine the make-up of any dominant external powers influencing this elite. And in this case, it is quite apparent that a major influence springs from the United States of America.

The subsidiaries of multinational corporations are frequently amongst the largest corporations in their country of operation, and their top executives play an influential role in the political, social and cultural life of the country. Yet these people, whatever their title, occupy at best a medium position in the corporate structure and they are restricted in authority and horizons to a lower level of decision-making.<sup>1</sup>

The subsidiaries of American firms tend to a much greater degree to be less autonomous and to have much less freedom of action (in Canada).<sup>2</sup>

The above quotations illustrate a phenomena of power in the pure corporation structure - that subsidiaries, whether placed beyond national boundaries or not, are structured in a dominant-subordinate relationship with the parent company. If then, a majority of dominant corporations in Canada have financial roots in the United States it can validly be assumed that such a power relationship exists. Yet we know that most of the members of the economic elite in Canada are employed, or linked in some way, to corporation bases in the United States.

At the end of 1963, the book-value of foreign long-term investment in Canada was \$26.2 billion, with 78% of it owned by residents of the US.<sup>3</sup> Percentage of total capital owned or controlled by American residents runs as high as 43% in manufacturing, 52% in petroleum and natural gas, and 54% in mining and smelting industries<sup>4</sup> - these three industries sharing the wealthiest and most powerful positions in the Canadian economic scene.<sup>5</sup>

An interesting point to note is that large multi-national industries possess more economic power than is measured by the importance of their activity within each separate industry, due to their inter-relations with capital flows from the parent firm and their inter-relations with the other giant industries operating within complementary economic spheres. Stewart, pointing this out to the Economic Council of Canada in 1970, discussed these inter-relations within 69 selected enterprises in the mining and manufacturing industries. Of the 69 he selected, 18 held high concentrations and 32 fairly high or high concentrations of American ownership in regards to voting shares and employment figures for non-residents.<sup>6</sup>

Safarian's earlier work gives statistical validation to the theory that American interests wish to retain controlling voting stock in Canadian-located industry. Table 15 from *The Vertical Mosaic* gives a more detailed account of American domination of the powerful

corporations and the economic elite present in Canada. Even beyond this elite, however, the influence of American-backed enterprises can influence and affect the attitudes of many of the workers they employ and public who come into contact with them. Prominent examples of this at the present time are the pro-American attitudes of General Motors of Canada workers, the public attitude until last year favouring retention of advertising tax cuts for Time and Reader's Digest.

Studies done by Safarian, Lindeman and Armstrong, Kari Levitt, Gilles Paquet, along with such publicly-aimed documents as Grant's *Lament For a Nation* Brossard's *Sold American!* and Laxer's *The Energy Poker Game*, suggest that the dominant-subordinate relationship does exist quite often and that, in some manner, continues through a spectrum of influence removed from the economic sphere. Although conclusions are often drawn in rather ambiguous terms, as in:

... United States companies operating in Canada sometimes are under economic or legal pressure to act in ways that are less than ideal from the Canadian point of view.<sup>7</sup>

And:  
The larger political aspects (of American ownership) have raised more serious concern in Canada. Many Canadians are wondering how far these issues may involve reduction of Canadian sovereignty.<sup>8</sup>

More often they are vigorously worded, although then reflecting normative values perhaps not entirely based on empirical data:

... in what ways and for what reasons do we have the power and the desire to maintain some independence of the American empire.<sup>9</sup>

And:  
The once-distinctive Canadian character is being steadily eroded through continuous adaptation to the demands of American capital, American development, and the American's own view of their destiny and the destiny of mankind. As we lose control of our economy, we lose the power to determine our own priorities, both personal and national; we lose our freedom to decide what is right and what is wrong, what is good and what is bad, in a world where free men must keep that freedom if they are to remain free.<sup>10</sup>

It is difficult to determine whether the power such corporations exert have subverted Canadian freedom to the extent such statements would suggest, but the power relationship is evident. The economic elite of Canada is governed to a large extent by American corporate interests, and thus, whatever influence we determine an economic elite in Canada to be exerting, can be taken as influence, to a considerable extent, by an American economic elite.

### Appendix II

1. Paquet, Gilles, ed. *The Multinational Firm And The Nation State*, Collier-MacMillan Canada Ltd. (Toronto 1972) pp. 58-59.
2. Cordell, A.J. *The Multinational Firm, Foreign-Direct Investment and Canadian Science Policy*, Information Canada (Ottawa 1971).
3. Safarian, A.E. *Foreign Ownership of Canadian Industry*, University of Toronto Press (Toronto 1973) p. 7.
4. *Ibid.*, pp. 14-15.
5. "These three industries' gross account for half of the capital employed in the selected industries..." *Ibid.*, p. 15.
6. Stewart, Max D., *Concentration in Canadian Manufacturing And Mining Industries*, Information Canada (Ottawa 1970) pp. 62-73.
7. John Lindeman, and Donald Armstrong, *Policies and Practices of United States Subsidiaries in Canada*, National Planning Association and Private Planning Association of Canada (Toronto 1960) p. 10.
8. Safarian, A.E., *The Performance of Foreign-Owned Firms in Canada*, National Planning Association and Private Planning Association of Canada (Toronto 1969) p. 107.
9. Grant, George, *Lament For A Nation*, MacLelland and Stewart (Toronto 1965) p. vii.
10. Brossard, Philippe, *Sold American!*, Peter Martin Associates Ltd. (Toronto 1971) p. 2.

for public outcry? Robert Presthus interviewed a president of a Chamber of Mines concerning the publicity raising program, and he stated:

I hit every newspaper in the country ... yes, I think it's very effective politically. I told I don't know how many hundreds of them, write a letter to Ottawa. The big ones are always involved ... but we got all the little guys involved ...<sup>21</sup>

The constituents' interests and public opinion are motivated to a large

extent by the media coverage they are given. And who owns the media in Canada? Members of the economic elite. Thus it appears they wield an ever greater amount of power than at first supposed. Through editorial slant, decisions of which news to print and where to print it, media outlets such as newspapers hold a good deal of sway in their hands.

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