

Canada's economical dilemma

A rallying cry for nationalists to fight the American empire

The following is a reprint of a speech presented by James Laxer at a symposium on economic nationalism, broadcast during CHCH-TV during the summer.

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By JAMES LAXER

Since the second World War, Canadians have lived in an American empire with their economy owned and controlled by American resource and manufacturing, their consumer tastes moulded by American advertising, their cultured lives overwhelmed by the offerings of the American media, their trade unions censored and bullied by American head offices, and their view of international affairs confined within the perspective of American news agencies.

There was a time in the late fifties and the early sixties when debates about what was then called the Canadian identity were concerned with whether Canadians were willing to pay the price for their independence. In the universities, people were often told that the rejection of the American values of life, liberty and the pursuit of happiness in favour of our conservative preference for peace, order and good government, would cost us something like a 25 per cent reduction in our standard of living.

TRADITIONAL

That's what Lester Pearson told us, that's what a long line of Canadian economists told us, that's what a whole tradition of Canadian thought dating from Goldwin Smithe's dismissal of Canada as a monstrous defiance of geography and economics had us believe. It was generally believed in those days that Canadian nationalism was the pastime of a few intellectuals and a few politicians, but that the Canadian people would never be prepared to make the sacrifice necessary to achieve national independence.

American investment was seen as the source of Canadian prosperity; Canadian nationalism was seen as the protectionism of a few intellectuals and politicians afraid to face the wider world of international scholarship and multi-lateral economic and political relationships.

REVERSE SIDE

On the other side of the debate, some people celebrated Canada as the first post-nationalist society to put its nation-state behind it — the very inability of Ottawa to preside over a national economy was sometimes celebrated as an example of Canada's achievement of something like the withering of the state.

Above all, it was the unquestioned growth of the Canadian economy and the rise in the living standard of Canadians that made it appear that if Canada was part of an American empire, it was after all a benevolent empire that was responsible for our well-being. These were the years when Pierre Trudeau's anti-nationalist rationalism and his attacks on Quebec independence were captivating English Canadian intellectuals.

In retrospect, the kind of debate that went on in those years about Canadian nationalism was not surprising. In the early sixties the American empire was at its prosperous zenith. The American dollar was still as good as gold. American economic output still retained its vast supremacy internationally. The American-designed international monetary system was still completely intact.

MARKET INVADED

In the last decade all this has changed. In the late sixties, Japan and Western Europe overtook American productivity in a whole variety of fields, invading the American market and displacing American goods in other markets.

With the vast increase in American military spending on the Vietnam War, American dollars poured overseas to finance the war, while America's trade surpluses declined. The result was a growing current account deficit for the United States and rising world concern

about the circulation of hot U.S. dollars internationally, now backed by gold in name only.

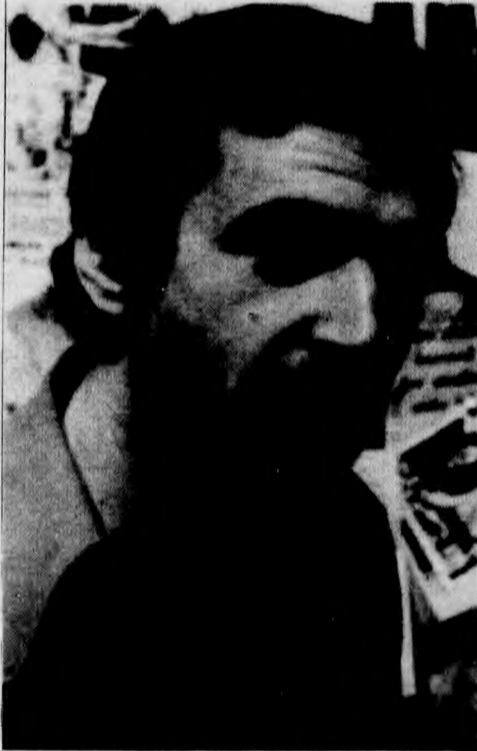
The crunch came in 1971 when the U.S. government took America off the gold standard and forced an upward revaluation of other currencies in relation to the dollar. Taking all of Nixon's increases together, the Americans unilaterally increased their effective tariff protectionism in the range of from 25 to 35 per cent. The U.S. government encouraged the flow of hot U.S. dollars to other countries by printing dollars far in excess of the increase of U.S. output.

BANKS COERCED

Nixon's inflation imposed a new level of government on all other western nations forcing their central banks to hold excess U.S. dollars — in effect, forcing them to submit to taxation to cover America's military spending.

Nixon's monetary policies, exacerbated by the oil price revolution of December, 1973, saddled all western economies first with sky-rocketing inflation and then with a general recession that has already become clearly the most severe since World War II.

For Canadians, the costs of life in the American empire have loomed larger as



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the last decade has proceeded. As an exhaustive U.S. Senate Study of American multi-nationals told us in February 1973, U.S. corporations go abroad for two main reasons — to gain access to raw materials and to gain control of foreign markets.

RESOURCE BASE

For U.S. corporations and for U.S. governments seeking favourable trade arrangements, Canada is chiefly interesting as a resource base and as a market for American manufactured goods. Under the pressure of official American trade policies, and because American multi-nationals find it profitable to supply our markets with production of parts and components from U.S. plants that make up much of the value of products finally assembled in Canada, Canada has been measuring up enormous trade deficits in the area of manufactured goods and has been paying for these with the export of raw materials.

Last winter the nation's most basic manufacturing industry had almost half its work force idle — 42,000 Canadian autoworkers were on temporary or indefinite layoff. During this period the government revealed that Canada's Auto Pact trade deficit with the U.S. amounted to just under \$1 billion in 1974.

Integration of our auto industry with that of the U.S. now means a loss of Canadian jobs to the U.S. Absurdly enough, because over 70 per cent of cars produced in Canada are exported to the U.S. and because most of the cars are made in the U.S., when the Canadian region of the United Auto Workers goes to Ottawa to ask for policies to stimulate auto purchases — to the extent that the policies asked for have any effect — those

policies expand the number of auto jobs in the U.S. Meanwhile, the fate of Canadian autoworkers is determined by how Leonard Woodcock makes out with Gerald Ford.

EXACTING TOLL

In the resources field, the cost of our subservience to the multi-nationals is all too evident. A few years ago the American oil companies told Canadians of the nation's boundless surplus of oil and natural gas, opposing our restraints on exports. Once the international price rocketed to \$11 a barrel in December 1973, the oil companies decided that Canada was running out of oil and that without the international price, we would lose our self sufficiency in the early 80s. The oil companies are now playing the scarcity game. And it seems to be paying off in their dealings with Ottawa.

The federal government is now reported to be ready to allow Syncrude to enjoy internationally-oriented prices for its oil sands production. And Ottawa is reported to be ready to sink half a billion dollars into Syncrude, a consortium that has not been designed to make profit for its own use but to make profits for the American oil companies that control it.

ONE STEP BEHIND

Canada is following the United States into the recession. Currently, we have a lower rate of unemployment than the U.S. because of where we are situated in relation to the United States on the chain of production. The American recession has been spreading from a downturn in the purchase of consumer desirables to a downturn in capital investment in American industry. The American recession is hitting us through falling U.S. demand for our primary products, which in turn is leading to falling capital investment in our resource industries. It is not that the recession will be less severe in Canada than in the U.S.; it is that we are following the Americans into the recession.

For Canadians, the prospect of being bound and blindfolded passengers in the American economic chariot is not an encouraging one. In a few short years the Canadian conundrum has been altered from: Are we willing to pay the price of independence, to: Can we afford not to be independent?

SLAVES OR MASTERS

Canadians have the alternative of either being victims of American multi-nationals and the American government in a world where the U.S. is trying to pass the costs of its own problems around to its dependencies, or of pursuing the goal of independence.

The fact is, of course, that Canadians are today, as always, deeply divided on the independence question. While the last decade has revealed the cost to us of our position in the American empire, it has not reduced the overwhelming commitment of Canadian business to continentalism. While Canadian politicians have been making symbolic gestures in response to the swelling tide of popular nationalism in Canada, the fact remains that in all three of the nation's major political parties, the nationalist minorities fought and lost battles for control of their party to the dominant continentalists.

The Toronto Star quoted Ontario's revenue minister Arthur Meighen on the provincial government's retreat from economic nationalism. He said, "We're not going to cut off our economic nose, to spite our nationalist face." The statement, reflecting the province's retreat from legislation barring foreign ownership of land, is not a voice from the past but very much the voice of Canadian politics today.

PREDICTABLE

The fact is that — painful as it is to say it — next to the puppet government in Taiwan, South Korea and South Vietnam, Canada's government has the most dependably pro-American government in the world. Our major political parties will not take up the independence issue — the Liberals and Conservatives because they are tied to American corporations, the NDP because it is tied to American

unions.

Ironically enough, it took an American sociological study of Canada to reveal most clearly the attitudes of different segments of the Canadian population to nationalism. The study, entitled *Foreign Ownership in Canada*, published the results of extensive surveys which revealed that while the nation's business and political elites remain continentalist, Canadian working people are nationalists.

Interestingly, one sub-section of the survey on attitudes to the Canada-U.S. Auto



Pact revealed that Canadian business and government leaders think the pact is good for Canada, Canadian union leaders are neutral, and blue collar workers believe the pact is bad for Canada.

MOST ARE NATIONALISTS

The broad majority of Canadians are nationalists today. But the nationalist majority is not organized politically. The continentalist political parties, the continentalist business elite and, for that matter, the continentalists who dominate the universities, continue to hold sway in the country.

I believe that it is going to require thorough and radical policies to achieve the goal of Canadian independence. Unless we are willing to think in terms of a new industrial strategy for Canada, based on using Canadian resources as the foundation for manufacturing in Canada, independence cannot be achieved. And in my view, unless we are willing to demand repatriation of the resource and manufacturing sectors of the Canadian economy through a commitment to public ownership of American multi-nationals in Canada, such a new industrial strategy cannot be implemented.

SOCIALIST ANSWER

In my view, only a socialist approach to repatriation that sees Canadian working people as the centre of the nationalist movement can finally achieve the goal of independence. And I am convinced that the nationalism felt by the majority of Canadians is no passing fancy, but a fundamental perception of how Canada's fate is determined abroad.

This sentiment will grow as the costs of our position in the American empire come home to Canadians.

REORGANIZE

For nationalists who are politically active, the question is to seek to reorganize Canadian political institutions so that the nationalist voice can be heard. The struggle for Canadian unions, the struggle for Canadian universities and for the flourishing of Canadian publishing, are all critical to that end.

I believe that the independence issue is the fundamental dividing line in Canadian politics. The time has come for nationalists of whatever political persuasion to begin to work together toward goals they can agree on, if the independence movement is to make itself politically effective in this decade.