

The rulers and the

by Kevin Gillese

What with the furor over Lockheed kickbacks to government officials throughout the world and such books as *The Canadian Establishment* and *The Tar Sands* listing some of the connections big business enjoys with government in Canada, we thought it was about time for *the Gateway* to enter the scene.

We haven't much to offer besides a synthesis of material other people have assimilated and evaluated but for those who don't have time to read all those hefty poli sci books, it might come in handy. A warning, however. On a subject as touchy as this, we've tried to be as objective and factual as is possible with our space limitations. We have been forced to use appendices to briefly cover some of the inter-related points raised by the main discussion and they are not just here for pretense. Likewise the use of long words - with our restricted space, we have to go to a long word in lieu of a long explanation.

Obviously we've only started to dent the picture with this short offering but rest assured it is not journalistic pablum. Try it on for size - you might enjoy it.

Results gathered by John Meisel at Queen's University indicate that large numbers of the Canadian populace feel there is a disproportionately high amount of influence by the upper-income and vested economic interests in Canada in policy-making decisions.¹ The purpose of this essay is, in effect, to see whether or not these opinions are founded in fact - that is, to analyse the ways in which an economic elite influences legislative decisions in Canada, and to offer normative judgements concerning the modifications of such influences.

Of first concern will be a definition of who or what this "elite" is, and what possible external influences may dominate it. Subsequent discussion will focus on the various inputs to the legislative process and elite influences to such inputs. The major limit of the essay is that it will deal exclusively with the legislative processes of the federal government and will not concern itself with regulatory or administrative areas of government, nor provincial politics in any manner.

What is an economic elite?

In a western-industrial society, the concept of an economic elite derives its validity from the concentration of economic power within a relatively few corporations, joined to one another and to the major financial institutions through capital transfers and inter-locking directorships.² In his book *The Vertical Mosaic*, Professor John Porter analysed the structure of a economic elite existent in post-WW II Canada. He selected 985 individuals controlling the nine chartered banks, the ten largest life insurance companies, and the corporations producing 40 to 50% of the gross value of production in manufacturing, 63% of the total value of metal production, 90% of railway transport, 88% of the gross earnings of telegraph and cable services, 82% of the total revenue of Canadian air carriers, 83% of telephone revenue and 60 to 70% of the hydro-electricity produced by privately owned companies.

A more complete statistical derivation of these dominant corporations and the inter-related directorships of the economic elite governing them can be found in Appendix I.³ It suffices here to state that the 985 men who held directorships in the financial and non-financial corporations examined, can be considered to be the most influential industrial and commercial leaders in Canada.⁴

American Influence

Rising public awareness of increasing American-Canadian economic inter-action has led to a further understanding of the pressures and influences that this elite is affected by. Such reports as Brecher and Riesman's *Canada-United States Economic Relations*, Lindemann and Armstrong's

Policies and Practices of United States Subsidiaries In Canada and Safarian's *The Performance Of Foreign-Owned Firms In Canada*, gave insight into the position in terms of absolute corporate power that many members of the economic elite in Canada possessed and still possess.

The full explanation of the subordinate position many of the "elite" in Canada hold to the ultimate financial elite in the United States is explained at length in Appendix II, along with statistical representations of the amount of American backing in economic terms was present in the dominant corporations. In the terms of analysis Porter used, of the 1613 directorships examined, 156 or 16% were held by American residents. A further 117 or 7% of these directorships, although held by Canadian residents, were of wholly-owned American subsidiaries.

When one considers the influence of voting stock, non-resident employment and capital present, the relative direct American influence is certainly greater than this. In addition, indirect factors such as stably-situated markets in America, available finance markets in America and research and development inputs from America, also exert influence over the elite. It is sufficient only to make explicit that political influences by an economic elite in Canada, reflect in some important measure the concerns of an American economic elite.

We have defined our elite and the dominant power influencing that elite. It remains now to examine the inputs to legislation in the Canadian House of Commons, and to determine to what extent these inputs may be influenced and manipulated by the economic elite.

Legislative input

Inputs to the formation of legislation in the federal process come from five sources:

- 1) Interest groups
- 2) Civil service
- 3) Public opinion
- 4) Individual constituents' wants
- 5) Individual members

Our concern lies with the formation of party policy - the legislation which emanates finally from the Cabinet. Although private members' bills are

introduced, they can be considered minor in terms of political influence. They normally reflect only the personal feelings of the introducing MP or a particular - and usually minor - need of his constituency, whereas party policy deals with the national interest, or at least in major issues, deals with large numbers of people in many cases.

Party success and big business

A party which depends for success (i.e. for office) upon the different and often contradictory appeals which it must make to different sectional interests will inevitably in the course of time become mainly dependent upon and responsive to those interest groups which are themselves best organized and most strategically located for applying effective pressure upon the party leaders. In Canada there are two such groups ... the French Catholic Church in Quebec and the inter-locking financial-industrial-commercial interest ... Big business depends primarily for its effectiveness upon campaign contributions, also upon constant official and unofficial lobbying and upon all the complex economic and social relationships between business and political leaders.⁵

If what Underhill says in the above quotation is true, then the economic elite does govern Canada, even if done using indirect methods. This fact would reflect the tradition of social theory which holds that it is the economic, rather than the political system which is the "master." This idea has grown out of the historical context described by Mosca, wherein the feudal system and the whole system of land ownership through the ages has resulted in "rule by the rich rather than by the brave."⁶ In the complex Canadian political system, no such easy co-relation as 'money equals political power' can readily be applied.

Interest groups

In order to check the validation of Underhill's claim, however, let us examine the "power" influence of the economic elite using the three criteria he offers:

- 1) Money
- 2) Maintenance of interest groups
- 3) Social relationships

APPENDIX I

Definition Of An Economic Elite Present In Canada During the Period 1948-1955

Following Porter's definition: In 1955, 183 corporations dominated, both in terms of output and in terms of total assets, the manufacturing and producing sectors of the Canadian economy. Thirteen of these corporations had directors which could not be identified; the remaining 170 firms held 1613 directorships between them. Of these directorships, 256 or 16% were held by American residents, 53 or 3% by United Kingdom residents, and 1304 or 81% by Canadian residents.

However, while it was assumed that the American and United Kingdom residents were citizens of their respective countries, it could not be assumed that all the Canadian residents were Canadian citizens. Some of these directorships were likely held by American citizens who were resident officer-directors of those firms in Canada which were wholly-owned subsidiaries of American parent firms. The 1304 directorships were distributed among 907 individuals. Of these individuals, 203 or 22% had more than one directorship in the dominant corporations.

The classification of the 907 individuals residing in Canada and sharing between them 1304 or 81% of the directorships in dominant corporations entailed the manufacturing or producing elite. However, another 78 individuals holding 118 or 58% of the directorships of

the nine chartered banks and 78 or 58% of those in the ten largest Canadian life insurance companies, channeled the greatest amount of capital to the producing sector. Because of the importance of this financing in the economy, these individuals were added to the group of 907. In total, a group of 985 men, holding directorships in 170 dominant corporations, the banks, life insurance companies, and, as well, numerous other corporations not classed as dominant, were designated the economic elite.

In studying the concentration of industry, in the seven leading resource industries in 1954, the total net value added as \$1097.4 million, 89% of which was produced by the top six firms in each industry. Fifty-four of the dominant corporations were responsible for about 60% of the net value added to the leading manufacturing industries, and about 80% of the net value added for the leading resource industry.

Rosenbluth's study "Concentration and Monopoly In The Canadian Economy" showed about 57 non-financial "giants" (those with assets over \$100 million) owned about 38% of the total value of real assets of all non-financial corporations.

Porter analysed the over-all concentration of economic power using two criteria - output and assets. In 1948 about 1% of the manufacturing establishments in Canada produced about 39% of the total gross value of production. Likewise, five firms produced about 63% of all metal production, and in oil, one firm produced 40% of all crude oil production!

Let us begin by examining the maintenance of interest groups. We know that interest groups are one of the primary sources of input to the legislative process.⁷ If a number of interest groups apply "pressure" on behalf of the economic elite, there is then shown considerable influence. If the Cabinet is supposed to be the major source of power in the parliamentary system, the comparative frequency with which interest groups secure access to it should provide an index of political efficacy. Based on Cabinet members' general experience, the following scale appears for the proportion of interest groups which have access to them: professional groups 23%; business 20%; education 17%; welfare 11%; and labour only 1%!⁸

The statistics quoted gain greater relevance when it is understood that, while business-industrial interest groups are the highest percentage of the total number of groups (20%) labour is the second-highest in the nation's groups at 14%.⁹ Business and professional interest groups rank highest amongst all interest groups in the resources of income, open access, extensive reservoirs of identification among their members, and especially in the consideration (by MPs) of using "legitimate" influence. Business groups tend to bring a good deal more political sophistication into the pressure system; this can be at least partly attributed to their socio-economic similarities with the political elite. They tend to use lobbyists more frequently than other interest groups, and lobbying and legal aid are the most used of all the varied services available to them.¹⁰

The structure and maintenance of powerful interest groups is an explicit political influence then. It was considered by many people that the actions of labour would encroach on these interest group activities of the economic elite. As was revealed by the statistics concerning access to Cabinet, this does not appear to be the case. A historical analysis of unions connections with America have been included in Appendix III and brings out the concerns that labour, even if it had access to the political elite, still would probably not encroach on the actions of the economic elite.

Labour: Social dis-similarities

One of the major reasons that labour is presently denied access, however, is because of the dis-similarities in social, cultural and educational background with members of the political elite. In examining the role that the economic elite plays here, we are entering the broad area of influence that Underhill regarded as social and economic inter-relationships.

Part of those inter-relationships are actually role exchanges between the economic and political spheres. It has been a long-standing convention that there must be no conflict between public and private interests of the Crown. This principle was articulated in 1955 in Parliament when it was discovered that Mr. J.J. McCann, the minister of national revenue, also held a directorship in a trust company.¹¹ Yet there is still significant role interchange between members of Parliament or the Senate, and members of the economic elite (or their relative subordinates).

Presthus' analysis of the former status of the Canadian political elite showed that 47% of MPs and 82% of bureaucrats were originally "higher executives" and 24% of MPs along with 18% of bureaucrats were "lower executives" in some type of corporate or professional hierarchy.¹² In similar manner, functional representation in the Canadian Senate is from 37% business, industry and finance backgrounds coupled with the closely-allied interests of the law profession with 30% representation.¹³ An examination of historical data of occupations and lifestyles in the House of Commons will show that MPs with corporate interests (including the legal and engineering professions) have always totalled more than 50% representation. Those MPs most closely related in background to the bulk of Canada's