

THE POLITICAL ECONOMY OF
THE CANADA COUNCIL

by

Anthony Thomas Williams
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APPROVAL

Name: Anthony Williams

Degree: Master of Arts

Title of Thesis: The Political Economy of the Canada Council

Examining Committee:

Chairman: Karl Peter

| Hari Sharma
Senior Supervisor

Alberto Ciria

Thelma Oliver

Edward McWhinney
Professor of International Law and Relations
Department of Political Science
Simon Fraser University

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ABSTRACT

The Canada Council is the major source of financial support for the arts, humanities and social sciences in Canada. Structurally, it has the appearance of the general Canadian solution to the problem of the relationship between the state and other sectors of society; namely, the Crown corporation. However, the Council has another, apparently contradictory attribute: a \$75 million Endowment Fund controlled by a small committee of Cabinet appointees with unrestricted powers of investment. The Fund currently provides not more than 15% of the Council's annual income.

Based on a combination of contemporary Canadian models of regional disparity and Lenin's definition of "finance capital," the thesis attempts to provide a background for a case study of the Canada Council. It is suggested that the form of state intervention in the economy has changed from industrial corporations to financial corporations since the 1930's. The metropolis/hinterland structure of the economy (conceptualized in this case as a potentially conflictual interaction between capital and resources) is used to create a theoretical model of the Canadian capitalist class.

The accumulation of the endowment is found to have been carried out by a closely-knit group of state-connected, dynastically structured bank capitalists with their origins in the Atlantic region.

It is argued that the process of accumulation was based on the exploitation of hinterland areas, both in Canada and Latin America. Upon the demise of this generation of dynasts, a significant portion of the accumulated capital fell into the hands of the somewhat more bureaucratically structured state power elite, a group with important links with American finance capital. In 1957 this group created the Canada Council on the model of the great American foundations with which a number of them were familiar, but with the appearance of a Crown corporation, or "state finance capital."

The structural development of the Canada Council since 1957 is investigated through the lineages, biographies and economic interests of its membership, with special reference to the Investment Committee. It is suggested that between 1965 and 1970 the Cabinet lost control of the Council's capitalization to an emergent group of Canadian resource capitalists, the most important of whom reached his influential position within the Council on the basis of his comprador role. This general conclusion can be compared with the recent creation of the \$250 million Canada Development Corporation by the Federal Cabinet, since the Corporation is actually designed to become rapidly independent of government control. It is argued, again on the basis of biographical and economic information, that the operation of the Corporation will be influenced mainly by the interests of two leading Canadian holding companies: Brascan and Power Corporation.

The thesis concludes that the 1965 development of the structural anomaly of the Canada Council's under-capitalization, and its continuation, result from the utility of the Endowment Fund for the economic self-interest of the members of the Investment Committee. Rather than being a case of state intervention in the economy, this process should be seen as economic (that is, bourgeois) intervention in the state. In turn, this suggests that the state is dominated by the contemporary class of comprador and bank capitalists, a conclusion which is perfectly in line with other recent work. The perception of Crown corporations as "progressive" developments is also questioned; it is suggested that "state finance capital" is merely a transitory phenomenon providing opportunities for increased control of the economy and the state by the ruling class.

This thesis was defended in, and approved by, a Department which does not exist.

Founded with Simon Fraser University in 1965, the Political Science, Sociology and Anthropology Department democratized itself in 1968. In 1969 it was placed under an "administrative trusteeship" and purged. In 1970 - 72 the President and the Board of Governors of the University were blacklisted by the Canadian Sociology and Anthropology Association and by the Canadian Association of University Teachers. Finally, in spite of the formal opposition of both faculty and students, in 1974 the Department was abolished.

This thesis is dedicated to the staff, faculty and students of "The PSA Department" who resisted.

"Rent cannot be understood without capital, but capital can be understood without rent. Capital is the economic power that dominates everything in bourgeois society. It must form both the point of departure and the conclusion...."

Karl Marx,

Introduction to a Critique
of Political Economy,

1857.

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CHAPTER ONE

INTRODUCTION

The Canada Council: an Exemplary Organization

As the most significant single source of financial support for the arts, humanities and social sciences in Canada, the Canada Council will disburse roughly \$45 million in 1973-74.¹ Although federally organized, it has both provincial and international links -- since its formation in 1957, both Ontario and Quebec have responded by setting up their own Arts Councils, while internationally the Council has close relationships with some of the major foundations in the United States (in some cases even assisting in the administration of special programmes of theirs which attract Canadian applications), and acts as the parent body for the Canadian National Commission for UNESCO.²

Then too, the structure of the Council is a typically Canadian compromise "...between outright state patronage in the form of a Ministry of Fine Arts ... and a complacent readiness to leave all patronage in private hands..."³ In other words, it is an amalgam of the solutions adopted by the country's three historical imperiums: France, with its Ministry; Great Britain, with its Arts Council; and the United States of America, with its private foundations. The general form of the Canadian solution is the Crown corporation, and the Canada Council partakes of a number of characteristics of a Crown corporation without falling clearly within either the public or the private sector.

Yet in spite of these conventionally significant attributes, the Council has so far remained virtually free from formal academic scrutiny. The reason for this is, I should think, fairly obvious. Nor is the present thesis a threat to this freedom, since it is concerned not with the Canada Council in its conventional role as a distribution mechanism but with the more fundamental topic of the Council as a mechanism of capital accumulation.

Using the format of a case study, and setting it in the historical context of Canadian confederation, I will consider the history, creation and operation of the Council, and compare it with the much more recently created Canada Development Corporation. The thesis will view the Council and the Corporation not as compromises between the alternative imperial models of cultural development, but rather as specific mechanisms through which the operations of the state and the bourgeoisie are co-ordinated.

Theoretical Issues: the Background

The existence of the Canada Council creates an opportunity for a case study in the development of the Canadian upper class, the development of the Canadian state, and the developing relationship between the two. For, the Canada Council was funded from the estates of Izaak Walton Killam and James Hamet Dunn, who were born less than twenty years after Confederation, and died only in the middle nineteen-fifties. As I will show, the Canada Council was constructed by the state on the basis of the surplus value accumulated by these two men during their lifetimes; it is thus an institution founded

upon capital.

Stanley Ryerson has described the conflict between the two important segments of the upper class, the imperially-oriented mercantilists and the nascent industrial capitalists, as culminating in the compromise of the Act of Union which followed the rebellions of 1837-38.⁴ His suggestion is that, however much it was constrained:

"... there was taking place at the top a consolidation of the new elite of railroad and factory owners; the shaping of that ruling class of industrial capitalists who were to be the real (and not merely the titular) 'fathers' of Confederation." ⁵

Ryerson's assumption of the centrality of the class of industrial capitalists has recently been challenged, on the grounds that such a classical model is incapable of including an explanation of the "under-developed" aspects of the Canadian economy. The alternative position has been summarized by R. T. Naylor, who argues that:

"...conventional liberal studies have failed to give explicit consideration to the peculiarities of the Canadian capitalist class and Marxist studies have misinterpreted its character. By comprehending this class as a mercantile one, accumulating wealth through circulation rather than production, one realizes that the dominance of a few staple trades leads not to independent capitalist development, but to the perpetuation of colonialism and under-development." ⁶

Naylor's assessment is that the interests of the mercantilist ruling class have come to dominate Ryerson's "compromise" of 1841.

A second broad theoretical issue involves the exploration of the mechanisms by which the interaction between the capitalist class (of whatever stripe) and the state elite is regulated and

articulated. My proposal here is that social mechanisms should be given more attention than is usually the case. First of all, I suggest that such an emphasis will provide additional insights into the dynamics of the interaction between the state and the bourgeoisie. Secondly, there appear to have been observable historical changes in the character of these social structures (from "dynastic" to "bureaucratic") taking place during the nineteen-sixties.

The aim of exploring these social mechanisms is to show that there are intricate social bonds among members of the Canadian ruling class. A study of these bonds of blood, marriage and friendship -- which I call an "anthropology" -- might provide an important additional method for analysing the apparent longevity of the mercantilists, by giving a dimension of socio-historical continuity to the otherwise rather static tabulations of such commentators as John Porter and Libbie and Frank Park.

In addition, if it can be shown that the ruling class is relatively closed to inter-generational class mobility, this would be useful in helping to dispel the conventional mythology of equal opportunity.⁸ Such a demystification gains added importance at this particular time if Leo Johnson's periodization of the development of Canadian class structure is correct.⁹ His proposal is that:

"Today we are entering a new era of Canadian history where the primary conflict of social forces is moving from one between capitalist and petit [sic] bourgeois modes of production, to a conflict of capital and labour within the capitalist production system." 10

The Anomaly: the Council's Capital Structure

The key to an understanding of the development of the Canada Council is its capitalization.¹¹ When Prime Minister St. Laurent created the Council in 1957 he funded it with a block of \$100 million which, legalistically speaking, was taken from current federal revenue. As I shall show later, however, there is enough evidence that these funds were transferred more or less directly to the Council from the estates of two Canadian multi-millionaires, Izaak Walton Killam and Sir James Hamet Dunn, under the guise of death duties.

Half of the total amount, the Capital Grants Fund, was to be spent on the purchase of capital plant for Canadian universities. In the meantime, its investment was restricted to government-guaranteed securities. By 1968 the Capital Grants Fund had been entirely spent. The other \$50 million, known as the Endowment Fund, was to be invested in perpetuity in order to provide revenue for the support of the arts, humanities and social sciences. In this case the range of investment was completely unrestricted and entirely at the discretion of the Canada Council. By 1973 the value of the Endowment Fund's assets had increased by about 50%, in the meantime providing an average of about \$5 million annually as revenue for distribution.

As I shall explain in Chapter Three (page 52 - 53) St. Laurent justified the creation of the two capital funds by arguing that they would give the Canada Council substantial independence from the government. However, in 1965 the Pearson regime made a

crucial modification in the original structure by appropriating to the Council an additional grant of \$10 million to be used for current spending during the years 1965-68. By 1973 the now customary annual appropriation had risen to over \$35 million, while the income from the Endowment Fund accounted merely for an additional \$5 million.

The institutionalization of such a disproportionate annual grant obviously contradicts the model of "state assistance without state control" which originally justified the existence of the capital funds. The perpetuation of the Pearson innovation thus raises an important question about the present purpose of the Endowment Fund. Since its original purpose has all but disappeared, why has the capital not been returned to the federal treasury?

Here the objection might be made that with a current asset value of about \$75 million, the Endowment Fund is so small as to be insignificant. I suggest that this is not the case. For example, the original capitalization of the Canada Development Corporation was also \$100 million (although CDC was also given promises of an additional \$250 million in grants and loans).¹²

A more telling comparison can be made between the Endowment Fund and investment funds in the private sector. Data from The Financial Post Survey of Funds '73 (pages 25-28) shows that the assets of the Endowment Fund are more than three times as large as the assets of the average Canadian investment fund. The Council's Endowment would, if it was in the private sector, represent the twelfth largest investment fund operating in Canada in 1972, out of a total of 196 funds. A study of the "closed-end" funds (which the

Endowment Fund closely resembles) shows that the latter is larger than all but three of the 25 listed public funds. This position relative to the closed-end funds has not changed since 1961.

Another way of looking at the same question is to calculate the amount of capital which would be required to fund the Council at its present level of spending. Currently distributing about \$45 million annually, the Council would need an Endowment Fund of approximately \$600 million to regain its "independence." This would make it one of the five largest foundations in North America, ranking below Ford, Rockefeller and Duke.¹³ Presumably it was to avoid such a qualitative leap that Pearson initiated the annual appropriation.

The capital structure of the Canada Council has therefore become "anomalous." Its original purpose has all but disappeared, yet the original structure remains. It could even be argued that the capital structure was something of an anomaly from the beginning: the National Research Council of Canada, founded forty years earlier and currently spending over three times the amount spent by the Canada Council, has never relied on a capital fund. Yet its beneficiaries do not complain of its lack of autonomy.¹⁴ The conclusion seems to be that independence was not the main reason for endowing the Canada Council.

Crown Corporations or State Finance Capital

Emphasizing the anomalous capital structure of the Canada Council leads to a second interesting feature, which the Council

shares to some extent with the Canada Development Corporation. Superficially at least, both organizations resemble Crown corporations. Both were proposed and implemented by Liberal governments, both were originally capitalized with \$100 million, and both were given cabinet-appointed directorates. With the antecedents, funding and operational appearance of Crown corporations, both the Council and the Corporation have virtually been assimilated (the former by "accident" and the latter by design) into the private sector of the economy. The legal status of the Canada Council, in particular, seems not to have been fully tested.¹⁵ Lying as they seem to do in this grey area, both organizations thereby call into question the role actually played by the whole range of organizations conventionally described as Crown corporations, government intervention in the economy, or as Dawson terms it: "government enterprise."¹⁶

This thesis will argue that the Council and the Corporation are more correctly understood as cases of bourgeois intervention in the state -- an intervention, moreover, which is achieved by means of machinery created by the state itself. If this proposal also applies to the whole range of Crown corporations, then it can be suggested that such "government enterprise" is an important part of the process by which the ruling class uses the state.

Methodology and Sources

The present thesis attempts to be holistic, historical and dynamic in its analysis. It is holistic to the extent that it will try to set the case study of the Canada Council within the context of

the political economy of Canada, and includes in its "anthropological" research the important social links which the capitalist class maintains with the two major imperial powers. It is historical to the extent that it investigates the long process of accumulation of the Council's initial capitalization of \$100 million, and discusses the apparent tendencies and goals controlling the contemporary use of that capital. Finally, it is dynamic in the sense that it attempts "... to grasp history and biography and the relations between the two within society."¹⁷

The scheme of empirical research which forms the greater part of the content of the thesis is mainly derived from the models suggested by American critics of the U.S. power elite, notably G. William Domhoff. These critics rely on the data produced by the power elite itself as part of its day-to-day operations.¹⁸ In Canada such information is, I suspect, much more fragmentary -- nevertheless, a good deal is available, even if the quality varies considerably. I have relied mainly on three types of sources: standard reference books (such as the various editions of Who's Who); official and unofficial biographies; and contemporary newspapers and magazines.

If there is a major flaw in such models as Domhoff's, it is the assumption that the structure of the governing class can be completely derived from the study of institutions, especially government institutions.¹⁹ Such an assumption largely ignores what Daniel Foss has called the "role-creative ability" of a governing class -- that is, a dominant class's freedom to create

new institutions when it finds it convenient to do so.²⁰

The present thesis therefore attempts to re-emphasize the duality of the situation, in which certain men create institutions as much as institutions create such men. The historical, dynastic continuity of upper class families is therefore perceived here as a significant organizational factor, while the traditional dependence of the regionally specific Canadian economy on world commodity markets is introduced as an environmental factor over which the indigenous bourgeoisie has little control.

However, apart from the polemical value of investigating the dynastic aspects of upper class control, there is also the point that detailed information regarding the financial operations of the Canada Council is not, for the most part, on the public record. For example, the names and face values of the securities held by the Endowment Fund at each year-end are listed in each Annual Report issued by the Council, but no information is given regarding the book-value or market value of the individual holdings. It would therefore be a very complex, if not impossible task to re-create, even in outline, the investment policies of the Council. In short, my expectation is that a study of the personnel involved will constitute the closest approach to such an outline which is reasonably possible at this time.²¹

Hypotheses

The major hypothesis of the thesis is that the anomaly exhibited by the capitalization of the Canada Council is the result

of the utility of the Endowment Fund as a pool of development capital. The Council is thus a prototype of the Canada Development Corporation.

The minor hypotheses are: that the social and corporate structure of the Canada Council demonstrates the domination of the federal government by a bourgeoisie; and that the Investment Committee of the Canada Council has used the Endowment Fund to subsidize corporate growth in selected sectors of the economy.

Structure of the Thesis

Chapter Two, "A Political Economy of Canada," will attempt to integrate the "staples thesis" of Innis and Mackintosh into a Leninist conception of Finance Capital, in order to provide an economic framework within which to locate the Canada Council and the Canada Development Corporation and as an aid in theoretically conceptualizing the structure of the Canadian capitalist class.

Chapter Three, "The Historical Development of the Canada Council," describes the processes involved in the accumulation of the Council's original capitalization, its institutionalization, and the role of the state and its personnel in supporting these developments.

Chapter Four, "The Structure of the Canada Council," is the central chapter of the thesis. It describes the internal structural development of the Council with particular reference to its Investment Committee, and argues that the Endowment Fund is used to support the interests of the Committee members in the private sector.

Chapter Five, "The Canada Development Corporation," is a sketch of the parallels between the Canada Council and the Corporation, and of the actual links between them.

Chapter Six, "Conclusion," summarizes the major results of the thesis; specifically the apparent domination of the two institutions by members of the bourgeoisie, the role of the state in facilitating its own domination, and the methodological problems involved in attempting an "anthropological" analysis of the upper class and in presenting the results of such research.

FOOTNOTES

- 1 Brian Brennan, "Has Canada a Crackpot or a Catalyst of Culture?" The Province, December 29, 1973, p. 41.
- 2 Whether the responses of the provinces was co-operative or antagonistic is not entirely clear. In 1951 Quebec took the position that the Massey Commission represented an infringement of provincial rights over education. See Saturday Night, 66:7, June 12, 1951. Early in 1961 the same province set up a Department of Cultural Affairs under Hon. Georges-Emile Lapalme; in November of the same year Lapalme announced the formation of an advisory board called The Provincial Arts Council of Quebec. See The Canada Council, Fifth Annual Report, 1961 - 62, pp. 20 - 21.
 Between 1940 and 1958 the Rockefeller Foundation had been the major supporter of social science research in Canada, providing \$499,795 out of the total of \$718,850 spent in Canada on the social sciences. Following the publication of the report of the Massey Commission in 1951, the Rockefeller Foundation made a final grant of \$125,000 spread over five years. "The last payment was made in 1957, the year of the passage of the Canada Council Act." Mable Timlin and Albert Faucher, The Social Sciences in Canada, (Ottawa, Social Science Research Council of Canada, 1968), pp. 63 - 64. According to one MP, even this final grant was conditional upon the raising of an equivalent amount from Canadian sources, and it was Walter Gordon who undertook "... the solicitation of such funds from private sources." Canada, Parliament, House of Commons. Official Report of Debates. (Ottawa, Queen's Printer, 1957), p. 429.
- 3 The Canada Council, Sixth Annual Report, 1962 - 63, p. 18.
 The Council's Annual Reports will hereinafter be cited by number and date in the following manner: C.C., VI, 1962-63.
- 4 Stanley B. Ryerson, Unequal Union: Roots of Crisis in the Canadas, 1815 - 1873, Second Edition, (Toronto, Progress Books, 1973).
- 5 ibid., p. 269. Ryerson had earlier argued that: "Thanks to colonialism and Family Compact rule, industrial growth in the Canadas as compared with the States was retarded by at least a generation." ibid., p. 97.
- 6 R. T. Naylor, "The rise and fall of the third commercial empire of the St. Lawrence," in Garry Teeple, ed., Capitalism and the National Question in Canada, (Toronto, University of Toronto Press, 1972), p. 1.

7 John Porter, The Vertical Mosaic: An Analysis of Social Class and Power in Canada, (Toronto, University of Toronto Press, 1965); Libbie and Frank Park, Anatomy of Big Business, (Toronto, James Lewis and Samuel, 1973), (copyright, 1962).

8 "A lineage system is not apparent to the eye. It is a theory of political behaviour, according to which lineage members act by a kind of rule-of-thumb knowledge, which the social anthropologist expresses in more comprehensive and abstract terms. He thus represents the principles behind the political behaviour of the people he has studied...the nature and importance of lineage segmentation were for long obscure to knowledgeable students of politics, whose only model of political structure was that of the state, with formal organs of government. What did not correspond to this model was not recognized as any form of political order, and seemed anarchy. We now see that other models are possible which enable us better to account for the facts...." Godfrey Lienhardt, Social Anthropology, (Second Edition), (London, Oxford University Press, 1966), pp. 156 - 157.

Professor H. Hickerson has suggested to me that contrary to the implication contained in Lienhardt's second sentence, lineage members are likely to have a very thorough theoretical knowledge of their own lineage structure. Personal conversation, July 22, 1974.

9 Leo A. Johnson, "The development of class in Canada in the twentieth century," in Teeple, ed., op. cit., p. 178. In a review of this paper by Johnson, C. B. Macpherson calls the issue of periodization "The crucial question..." See "Marxism in Canada: A New Beginning," in Canadian Dimension, 9:67 - 71, undated.

10 Johnson, op. cit., p. 178.

11 In this I disagree with Porter, op. cit., pp. 298 - 303, who argues that philanthropic roles (including membership in the Canada Council) tend to fall to the corporate elite because the latter are "...the society's leading citizens and as such 'govern' many more things than universities."

12 CCH View from Ottawa, July 31, 1972, pp. 183 - 184.

13 According to Waldemar A. Nielsen, The Big Foundations, (New York, Columbia University Press, 1972), p. 22, Table 1, the five largest foundations in 1968 were the Ford Foundation (\$3,661 million), the Rockefeller Foundation (\$890 million), the Duke Endowment (\$629 million), the Lilly Endowment (\$579 million), and the Pew Memorial Trust (\$437 million). The largest Canadian foundation is probably the J. W. McConnell Foundation Inc., with assets recently estimated

at \$170 million. See Tom Alderman, "Money for the Asking," in The Canadian Magazine, June 16, 1973, pp. 2 - 3.

- 14 See M. J. Mulkey and A. T. Williams, "A sociological study of a physics department," British Journal of Sociology, 22:68 - 82, March, 1971, especially pp. 69 - 70. The attitudes of the physicists in this study are in sharp contrast to the response of the President of the Canadian Sociology and Anthropology Association to a cabinet decision to stabilize the Canada Council's annual appropriation. In the former case "...none saw the granting agency as influencing the content of his research." In the latter case the likelihood of the stabilization of the annual appropriation together with a greater stress on "mission oriented research" were described as "Perhaps the most serious recent events affecting the disciplines..." Richard F. Salisbury, "President's Message," Canadian Sociology and Anthropology Association, Bulletin, 22:1 - 3, March, 1970.
- 15 The Financial Administration Act, R.S., c. 116, s. 66, defines a Crown corporation as "... a corporation that is ultimately accountable, through a Minister, to Parliament for the conduct of its affairs, and includes the corporations named in Schedule B, Schedule C and Schedule D." (emphasis added). Neither the Council nor the Corporation are listed in these Schedules. On the other hand, the National Research Council is a Schedule B corporation, and at least one authoritative reference work covers the role of the NRC and the Canada Council in the same sentence, stating that "... the Canada Council is similarly organized, and discharges a somewhat similar function..." to the National Research Council. R. MacGregor Dawson, The Government of Canada, Fourth Edition, Revised by Norman Ward, (Toronto, University of Toronto Press, 1963), pp. 263 - 264. Hugh J. Mullington, in "The Federal Government as an Entrepreneur -- The Canadian Experience," (Unpublished M.A. Thesis, Carleton University, 1969), p. 30, takes a similar position, stating "...commonly recognized as 'Unclassified Crown Corporations' ... are the Bank of Canada, the Industrial Development Bank, the Canada Council and the Canadian Wheat Board." (emphasis in the original).
- The Canada Year Book, 1952 - 53 (Ottawa, Queen's Printer, 1953), indexes "Crown Companies" under their individual titles, rather than listing "Crown Corporations" as such. The 1954 version of the same government publication lists "Crown Corporations" (p. 79 - 86), and in a footnote (p. 80) adds:

"Not all Crown corporations are subject to the provisions of the Financial Administration Act. For example, the Canadian Wheat Board, the Bank of Canada and its subsidiary, the Industrial Development Bank, because of the special nature of their functions, are excluded from the operations of the Crown corporations Part [sic] of the Act and are governed by their own Acts of incorporation..." (emphasis added).

The 1957 - 58 version (p. 85) is similar, but adds a note that "certain provisions" of the Financial Administration Act apply to "...Northern Ontario Pipe Line Crown Corporation, set up on June 7, 1956, to oversee the building of a cross-country natural gas pipeline. The Canada Council was set up ... as a Crown corporation but has been declared not an agency of the Crown and hence is not included in the Schedules to the Financial Administration Act."

Northern Ontario Pipe Line Corporation was Howe's mechanism for facilitating the loan to Trans-Canada Pipe Lines in 1956; a proposal which led to the acrimonious pipeline debate of that year.

The 1972 Canada Year Book (Ottawa, Information Canada, 1972) p. 155, cites the three major types under Schedules "B", "C" and "D" of the Financial Administration Act, and then sets up an additional, similar category, of "Unclassified Corporations," boldly stating that these are not listed in the Financial Administration Act "because of the special nature of their operations..." These special organizations are said to be: Bank of Canada, Canada Council, C.N.R. Securities Trust, Canadian Wheat Board, Industrial Development Bank, National Arts Centre Corporation.

"The only provision of the FAA [sic] to which they are subject is that governing the appointment of auditors."

Since no authority is cited by Statistics Canada for this structuring, it seems possible that the special category of "Unclassified Crown Corporation" was created by the Federal bureaucracy, and has accidentally misled subsequent investigators such as Mullington (and possibly even Dawson) as to the nature of this special group of organizations.

16 Dawson, op. cit., p. 264.

17 C. Wright Mills, The Sociological Imagination, (New York, Oxford University Press, Inc., 1959), p. 6.

18 "The very complexity of modern technological society compels the U.S. power structure to produce a continuous flow of accurate data on every aspect of human endeavour." NACLA Research Methodology Guide, (New York North American Congress on Latin America, Inc., 1970), p. 3. See also pp. 6 - 9, compiled by G. William Domhoff and others.

- 19 See, for example, G. William Domhoff, The Higher Circles: The Governing Class in America, (New York Random House, Inc., 1970), Chapter I. The goal of this chapter is stated as: "...to identify the major indicators and social institutions of the American upper class..." (p. 10). Domhoff suggests that in principle this identification could be carried out by computer methods "... without knowing a thing about class." (p. 12).
- 20 Daniel Foss, "The World View of Talcott Parsons," in Maurice Stein and Arthur Vidich, (ed.), Sociology on Trial, (Englewood Cliffs, N.J., Prentice-Hall, Inc., 1963), p. 109.
- 21 Implicit testimony to the relative secrecy with which the activities of the Endowment Fund are carried on is provided by the Report of the Auditor General...1971, p. 303, s. 350, which states: "The financial statements of the Council are not reproduced in the Public Accounts as are the statements of Crown corporations and other operating activities. If financial information ... is required, reference should be made to the annual report of the Council" The Report then goes on to summarize the information already available in the Council's annual report.

CHAPTER TWO

A POLITICAL ECONOMY OF CANADA

The Staples Thesis

The purpose of this chapter is to examine the political economy of Canada within which the Canada Council and the Canada Development Corporation are located. By political economy I mean the inter-relationship between the forces of production and distribution and the social relations of production and distribution.

One well-known model of the Canadian economic structure was proposed by the late Harold Innis prior to World War II, and this "staples thesis" has subsequently been further developed and refined by a number of economists, notably Mel Watkins, who it appears, is currently proceeding to connect it to a historical model of Canadian social structure.¹

For the moment, however, I am concerned with the staples thesis as an explanation of endemic regional disparity which can be used to adapt, for specific Canadian cases, Lenin's general theory of imperialism. Three fundamental propositions are involved in the staples approach. First, there is the so-called "empty land"² which contains a definite geographical distribution of different natural resources or staples. Second, these resources are developed and extracted in a definite historical sequence by, or on behalf of, a colonizing (i.e., imperial) power. Third, the combination of the geographically specific distribution of the staple products with the

requirements of the imperial power's mode of production tends to re-create within the colony the "metropolis-hinterland" relationship which exists on a larger scale between the colony and its foreign master. For the colony the end result is regional economic disparity, constantly recreated and reinforced by the very process of "growth" and "development."

The staples thesis is evidently the result of a process of generalization from Canadian history and thus, although not originally intended as a model of social class, seems to have clear implications for class structure which correlate well with historical data.³ In the last section of this chapter the contemporary implications of the staples model are further developed in more detail as a basis for locating the personnel of the Canada Council. For the moment, however, it seems necessary to expand on the "metropolis-hinterland" structure as an economic basis for regional political conflict.

The main aim of a capitalist system is the production of surplus value. In the case of a metropolis-hinterland system, the additional aim is to transfer this surplus to the metropolis. Successful accomplishment of the both these goals leads to the phenomenon of "under-development." A certain fraction of the surplus (now in the form of "capital") must usually be re-introduced into the hinterland in order to continue the cycle. While in a sense all capitalist systems exhibit such features, they are especially prominent in the Canadian case because, as the staples thesis makes explicit, the natural resources upon which the process of surplus

production is based are geographically bound. It is useful, therefore, to conceptualize the Canadian economy in the first instance as consisting of the interaction of capital and staples.

The British North America Act of 1867 can thus be seen as the political institutionalization of this fundamental structure, dividing, as it does in principle,⁴ the means of capital formation into two jurisdictions. The theory of 1867 was that the provinces would continue to control the extraction of most natural resources, while the newly-created central government would have jurisdiction over inter-regional and international trade and commerce -- that is, over exchange, distribution and money capital. In addition, the central government was given what was at that time the major source of revenue; namely, the tariff.⁵ Over the next thirty years it was the tariff, combined with alienation of the "Dominion Lands" in return for railways and settlement, which the federal government utilized as the main instruments of the so-called "National Policy."⁶

Superficially designed to foster a native industrial capitalism, after one hundred years of Confederation the National Policy has evidently had the opposite effect. The Canadian economy is still markedly dependent on the export of raw and semi-finished staple commodities -- for example, between 1956 and 1968, crude and fabricated material exports exceeded exports of end products by a ratio of almost two to one, while imports showed almost exactly the reverse ratio.⁷ National economic growth is therefore still dependent on the fluctuating demands of the world's commodity markets. Even more importantly for this thesis, these fluctuations are multiplied on

a regional basis within the country by the geographical distribution of the staples and the centralization of manufacturing in the national metropolis. Furthermore, in the metropolitan region thus defined, about 70% of all manufacturing concerns are foreign-owned and about 58% of all foreign profits from Canadian manufacturing are made. For the prairies and British Columbia the comparable figures are 50% and 15%.⁸

Social Implications of the Staples Thesis

The most immediate implication of the metropolis-hinterland structure sketched above is that it will lead to conflicts between the centre and the margins. In a country with a single, centralized political structure, such a situation might rapidly develop into overt class conflict. That this has so far occurred only in a distorted fashion in Canada is perhaps due, at least in part, to the divided jurisdictions created by the BNA Act. For the working class, the results of the metropolis-hinterland relationship combined with the divided jurisdictions lead to a clear division of political effort, if not to internal conflict.⁹ This should suggest the possibility of parallel divisions and conflicts within the capitalist class.

Given that among the Canadian upper class there is a consensus in favour of the continued private ownership of the means of production there still remains the possibility of regional conflict over the terms on which capital is to be combined with staple resources, and over the distribution among the regions of the resulting surplus value.

In such a potential conflict of interest, the power of the regional capitalist stems from the provincial governments' legal jurisdiction over natural resources, while the power of the metropolitan capitalist rests both on his accumulated surplus value and the legal jurisdiction of the federal government over the terms of inter-regional trade. What the staples model predicts, therefore, is a conflict between a coalition of regional bourgeoisies and a metropolitan bourgeoisie.

To take the example quoted at the end of the previous section, it seems clear that the interest of the exporters of crude and semi-finished materials in obtaining maximum prices for their commodities conflicts quite directly with the interest which the importers of end products have in obtaining finished commodities at minimum prices. This example is appropriate as well because it illustrates the fact that the conflict will be resolved in part on the basis of political and economic decisions made by the imperial power abroad, as it "dictates" the terms of trade.

On the other hand, as Watkins and others have pointed out, the "National Policy" was in fact a strategy of industrialization by the route of "import substitution"¹⁰ by the importation of foreign capital and with it, foreign control. From my perspective this means that the conflict predicted in the preceding paragraphs may now include a nationalist dimension. Whether this issue is a real source of dispute, or merely a convenient epithet serving older purposes is unclear; in the meantime it seems appropriate to include the nationalist dimension in any politico-economic model.¹¹

Towards State Finance Capital

In this section I will consider the broad historical development of the Canadian economy, from a modified staples perspective. In particular, I will be concerned with the structure of "government enterprise,"¹² because it is in this sector that the Canada Council and the Canada Development Corporation are conventionally located.

The hinterland regions of Canada have seldom been able to undertake the large investments of fixed capital which were pre-requisites for the development of their staples-dependent economies, at least until relatively recently. At the time of Confederation

"Fully three-fourths of the total debt of the British North American Provinces had been incurred for transportation...In the Maritimes, practically the entire provincial debts had been incurred on publicly-owned railways....

"These dead-weight debts...seriously endangered the credit of the provinces in the London money market." ¹³

The terms of Confederation included the "nationalization" of both the debts and the existing infrastructure for which they had been contracted, by a federal government with untarnished credit and the ability to span the continent by mortgaging the unorganized prairie lands.¹⁴

"In 1913, virtually the whole of the direct and indirect debt of the Dominion, amounting to \$521 million, had been incurred for railways, canals, harbours and river improvements."¹⁵

The transportation network is thus the major historical example of the tendency towards state intervention and the socialization of the costs of the infrastructure. The Canadian Pacific Railway, financed on the basis of land grants and tax exemptions (and later direct loans), was privately owned.¹⁶ It is, of course, still privately owned. The next attempt at a trans-continental rail link, begun as a collection of private undertakings, eventually had to be shifted onto the shoulders of the federal government in order to protect the private and institutional investors -- the Canadian National system was formed in 1923.¹⁷ In 1937 Trans-Canada Airlines (now Air Canada) was created as a subsidiary of Canadian National -- that is, it was funded wholly by the public corporation after the CPR apparently turned down an offer of joint participation.¹⁸ Instead Canadian Pacific formed its own airline, now known as CP Air.

If before World War II the state had been cautiously expanding its role as industrial capitalist,¹⁹ the war provided the incentive for an "industrial revolution"²⁰ under the supervision of C. D. Howe. The history of the development of state financial institutions suggests that following the war a predictable transition to forms of "state finance capital" may have begun.

Such a developmental model provides a framework within which to locate a number of recently formed Crown agencies. Canada's central bank, the Bank of Canada, had been created, in response to the Depression, in 1935.²¹ In the late 1950's and

early 1960's both the provincial and federal jurisdictions took the financial plunge, with provincial agencies such as the Manitoba Development Fund and Industrial Estates Ltd. of Nova Scotia, and, at the federal level, the Agricultural Rehabilitation and Development Act, the Area Development Incentives Act, and in 1969 the Department of Regional Economic Expansion.²² Finally, the transition to a model of finance capital has been virtually completed with the creation at the federal level of the Canada Development Corporation, with a mandate " '... to help develop strong Canadian-managed corporations in the private sector....' "²³

Signs of a similar evolution may also be found, I suggest, in the history of Canadian taxation, and especially in the historical development of taxation on capital. In this case the culmination is represented by the federal capital gains tax, which, like the Canada Development Corporation, was introduced in 1971 and took effect in 1972.

As Table I (page 26 below) indicates, the history of taxation in Canada is that of the introduction of an innovation by the provincial or municipal jurisdictions, followed by the pre-empting of the innovation (often in time of war) by the federal government. Of particular interest in the context of this thesis is the history of death taxes, which were first introduced provincially as early as 1892. The Dominion only entered this field in 1941, negotiating various forms of "tax rental" agreements with the provinces at different times through 1972, when it purported to vacate the field. Those provinces which had not already re-entered the field in the

TABLE I
 THE INTRODUCTION OF TAXATION IN CANADA,
 BY JURISDICTION

<u>Category of Taxation</u>	<u>Dates of Introduction</u>		
	<u>Municipal</u>	<u>Provincial</u>	<u>Federal</u>
Corporation	n/a	1884 - 1910	1915
Personal Income	1867 - 1910	1876 - 1935	1917
Death	n/a	1892 - 1895	1941
Wealth and Capital Gain	1867	1876 - 1880	1972

Sources: J. Harvey Perry, Taxation in Canada, (Toronto, University of Toronto Press, 1951); Rowell-Sirois Commission, Book II, p. 119 (Table).

intervening thirty years then immediately did so (with the sole exception of Alberta).²⁴

In fact, the purported federal vacating of the death tax field seems to be more apparent than real. For, according to an official pamphlet on the subject, an owner of capital assets who dies is deemed to have disposed of his assets, and hence is liable to the capital gains tax!²⁵

It has been suggested to me that one important effect of this change in the structure of taxation will be to induce owners of capital to "roll over" their investments at regular intervals, as a means of averaging their realized capital gains and reducing the impact of the new tax.²⁶ From this observation I conclude that the transition to a capital gains tax on realized profits -- in appearance a change in the form of money from which federal revenue will be collected -- may in fact operate to convert existing capital into the form in which it is customarily liable to federal taxation: money income. In other words, one effect of the introduction of the capital gains tax may be to force the remaining regional industrial capitalists to transcend their roles -- they must now become finance capitalists.²⁷

Finance Capital in Canada

Thus far I have been using terms like "finance capital" and "bourgeoisie" as though they were self-explanatory. This section will outline a model of the structure of control of the internal economy of Canada based on Lenin's concept of finance capital. The last section will deal with definitions for the fractions of the capitalist class which are implied by the control structure.

As I have shown above (page 20), the staples thesis conceptualizes the Canadian economy as an interaction of capital and staples, an interaction which has its formal political representation in the BNA Act. The development of this interaction in Canada makes possible a re-definition of the situation as the interaction of "bank capital" and "industrial capital", and following Lenin, the institutionalization of this interaction can be termed "finance capital".²⁸ Institutionalization here implies that the interaction has become formally co-operative, although some potential for conflict between the two sectors may still exist.

In 1962 Libbie and Frank Park outlined a large-scale model of finance capital in Canada, which they convincingly demonstrated was organized around the three largest chartered banks.²⁹ Historically, the most significant of these three clusters is organized around the Bank of Montreal and the Canadian Pacific Railway, their associated financial houses of Royal Trust Company, Sun Life Assurance Company of Canada, and the Calvin Bullock operated investment trusts. The group's related operating companies include Consolidated Mining and Smelting (Cominco), Ogilvie Flour, Dominion Bridge, Steel Company of Canada (Stelco), Consolidated Paper, and Dominion Textile.³⁰

Similarly, the cluster around the Royal Bank of Canada includes Montreal Trust Company and Metropolitan Life Insurance, and operating companies such as Imperial Oil, Algoma Steel, Dominion Steel and Coal (Dosco), and A. V. Roe Canada Ltd. Some of these

operating companies are shared with the third major cluster organized around the Canadian Imperial Bank of Commerce. Below these three in size come the Toronto-Dominion Bank and the Bank of Nova Scotia, which are followed in turn by the Banque Canadienne Nationale and the Provincial Bank of Canada. In these last two, Quebec-based capital predominates.³¹

Mention of Calvin Bullock, Metropolitan Life and Imperial Oil leads to the other important structural feature which must be mentioned; the interlocks which Canadian finance capital maintains with various clusters of international finance capital. Bank of Montreal has links with Morgan and Mellon interests through Canadian GEC and Aluminum Company of Canada (Alcan), and with the Rothschilds through the British Newfoundland Corporation (Brinco). Metropolitan Life and Imperial Oil both represent connections between the Royal Bank and the Rockefeller interests which control them, while the Royal Bank has important European links through Canada Cement Lafarge.

Three other types of institution must also be included in the structural model: the holding company (for example, Power Corporation of Canada, Brascan, and Argus Corporation), which exercises control of a group of operating subsidiaries; the investment fund (such as Canadian Investment Fund -- a Calvin Bullock supervised fund), which exercises little control over the numerous corporations in which it has investments; and finally the security issuing and trading houses (like Wood, Gundy Ltd., and Dominion Securities Corporation) which, from the point of view of finance capital, are useful mainly as mechanisms for the creation and

re-organization of corporations.³²

The structure of Canadian finance capital may therefore be visualized as a series of eight or ten interlocking pyramids of varying heights. At the pinnacle of each is a chartered bank (or, increasingly, a giant holding company), supported from below by a trust company and one or more insurance companies. Beneath these, in turn, are the investment funds and stock trading firms, and supporting the entire edifice are the operative, productive subsidiaries. Finally, it is important to note that this pyramidal structure has no directional implications for control. As the Parks imply, power rests on the ability to span the entire pyramid, and to co-ordinate the various necessary aspects of both the financial and productive apparatus.³³

Social Implications of Finance Capital

Obviously it was because of the kind of data outlined above that Ashley suggested in 1957 that

" ... the majority of bank directors, plus a few directors of other companies, constitute a group of not more than a fifth the size of Mr. Porter's élite, and in them is concentrated enormous economic power." 34

Some men, who combine control of both finance and production, I will call finance capitalists. Some few of them have achieved even higher rank; that of international finance capitalist. In either case, however, they control the commanding heights of the economy. Thus the presence of some members of such a group in control of any corporate organization will be taken as suggestive evidence of the importance of that organization in the structure of finance capital.

In particular, such men provide a mark against which to measure the personnel in control of the Canada Council and the Canada Development Corporation.

In control of only one of the two factors involved in the staples-dependent economy, and thus ranking below the finance capitalists, are two groups who may be defined on the basis of their respective interests as bank capitalists and industrial capitalists. In the first of these categories I subsume men whose interests are confined to banks, insurance firms, investment funds and the like. The second category therefore includes two groups which in principle can be distinguished as metropolitan industrial capitalists and hinterland staples capitalists.

The entire class detailed above, from finance to staples capitalists, comprises the Canadian bourgeoisie, so defined on the basis of its ownership of the major means of production. There are, however, two additional groups which must also be accounted for: compradores and the state elite.³⁵ The first group operates foreign-owned corporations located in Canada in the interests of the foreign -- most often imperial -- owner. In a country where the industrial sector is both regionally specific and predominantly foreign owned, such a group clearly has special significance. In particular, it is likely to have access to sources of capital which are beyond the reach of even the finance capitalists, while the very existence of such a comprador class represents a potential contradiction of the sovereignty of the state.

In the classical Marxist model

"The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie."³⁶

But as Engels, Lenin, and lately Miliband have noted, there are occasions when such a "principal to agent" structure does not apply.³⁷ In any specific case, then, an attempt must be made to treat the state elite as having some potential for independent action. Given Canada's history as a colony, in which its gradual emergence as a politically independent state is combined with the importation of foreign economic control, it seems all the more necessary to treat the state as being at least formally separate from the bourgeois class.

The above definitions are intended to provide a formal framework within which to locate the development of the Canada Council and the Canada Development Corporation. The next chapter will examine the historical development of the first of these two state organizations.

FOOTNOTES

- 1 For outlines and essays on the staples thesis and its historical development, see W. T. Easterbrook and M. H. Watkins, eds., Approaches to Canadian Economic History, (Toronto, McClelland and Stewart Limited, 1967); Harold A. Innis, Essays in Canadian Economic History, Mary Q. Innis, ed., (Toronto, University of Toronto Press, 1962); W. A. Mackintosh, Economic Background to Dominion-Provincial Relations, (Toronto, McClelland and Stewart Limited, 1964); and especially the transcript of a presentation by Melville Watkins in Canadian Confrontations: Hinterland vs. Metropolis, Arthur K. Davis, ed., (Edmonton, Western Association of Sociology and Anthropology, 1970), pp. 34 - 42.

- 2 Watkins encloses the misleading word "empty" in quotation marks in "A Staples Theory of Economic Growth", Canadian Journal of Economic and Political Science, (hereinafter cited as C.J.E.P.S.), Vol. XXIX, #2, May, 1963, reprinted in Easterbrook and Watkins, eds., op. cit.

- 3 "In Lower Canada (Quebec) power belonged to the Chateau Clique, representing the great feudal seignories which continued from the mighty days of seventeenth-century France." G. W. Bertram, "Economic Growth in Canadian Industry, 1870 - 1915: The Staple Model and the Take-off Hypothesis", C.J.E.P.S., Vol. XXIX, #2, May, 1963, reprinted in Easterbrook and Watkins, eds., op. cit.
 "In Upper Canada (Ontario), power belonged to a group known as the Family Compact, in derisive analogy to dynastic arrangements in Europe.... Like the Chateau Clique, it was a landed and ecclesiastical interest...." Bertram, op. cit.
 "In the Maritimes, power belonged to less conspicuous oligarchies, whose interests were markedly commercial.... The most important of these was the Council of Twelve in Halifax...." Bray Hammond, Banks and Politics in America from the Revolution to the Civil War, (Princeton, N.J., 1957), reprinted in Easterbrook and Watkins, eds., op. cit.

- 4 See, for example, Chester Martin, "Dominion Lands" Policy, [edited by Lewis H. Thomas,] (Toronto, McClelland and Stewart Limited, 1973), p. 6, where it is argued that: "...the return of the 'natural resources' of the Prairie Provinces to provincial control in 1930 marked in a very real sense the completion of Confederation as originally contemplated in 1867."

- 5 According to J. Harvey Perry, Taxation in Canada, (Toronto, University of Toronto Press, 1951), p. 154, the three main sources of revenue at Confederation were customs duties, excise duties, and property taxes. Only the last of these was regarded as a direct tax and thus available to the provinces.
- 6 Martin, op. cit., p. 10.
- 7 Source: Dominion Bureau of Statistics/Statistics Canada, Trade of Canada, 1956 - 1968, Vol. I.
- 8 Of 1,397 firms shipping goods of their own manufacture of total value of \$5 million or over in 1967, a total of 1,106 were located in Ontario or Quebec. The next largest group -- 128 firms -- was located in British Columbia, the Yukon and the North West Territories. Sources: Dominion Bureau of Statistics/Statistics Canada, Manufacturing Industries of Canada, Section H, 1967, and Herb Gray, Canada. Foreign Direct Investment in Canada, (Ottawa Information Canada, 1972). The latter work is hereinafter cited as the Gray Report.
- 9 The emergence of the Waffle within the NDP, and its subsequent expulsion from the Ontario provincial party can be understood as an example of this problem. See Mel Watkins, "Copping Out", Canadian Dimension, 9:2, May, 1973.
- 10 Watkins, in Canadian Confrontations, op. cit., pp. 37, 41 - 42.
- 11 In Canada there appear to be a number of regional, staple-producing enclaves which are not yet foreign owned, and which might, therefore, be regarded as bases for a bourgeois nationalist movement. These consist of agriculture, forestry, fishing and trapping (except in the Atlantic region); primary wood production in British Columbia; and the real estate and construction industry (except in B.C.). Prairie agriculture and the wholesale and retail trades do not however, appear to be sufficiently integrated to provide such a base. Finally, large parts of the financial and communications infrastructure are legally protected from foreign investment; however, according to one source: "... the influence of the U.S. financial groups is felt in the Canadian banks, where the percentage of U.S. capital invested is small but the number of bank directors linked to U.S. interests is high, in the Canadian Pacific Railway, and in other enterprises advertised as Canadian." Libbie and Frank Park, Anatomy of Big Business, Toronto, James Lewis & Samuel, 1962, 1973, p. 34. Other data based on the Gray Report, op. cit., pp. 21-26, and comparisons with the relevant DBS publications.

- 12 Dawson, op. cit., p. 264.
- 13 Donald V. Smiley, ed., The Rowell-Sirois Report, (Toronto, McClelland and Stewart Limited, 1963), pp. 45 - 46.
- 14 "In 1880 Parliament 'solemnly set aside one hundred million acres' for the building of a Canadian Pacific Railway. Two years later Macdonald affirmed that 'not a farthing of money will have to be paid by the people of Canada.'" Martin, op. cit., p. 11. Alberta and Saskatchewan were given partial provincial status in 1905, but the Dominion retained the rights to "all lands, mines, minerals, and royalties incident thereto" until 1929. This arrangement was in stark contrast to that made with Quebec and Ontario when their boundaries were extended northward to Hudson's Bay in 1912. See Gerard V. La Forest, Q.C., Natural Resources and Public Property under the Canadian Constitution, (Toronto, University of Toronto Press, 1969), pp. 35 - 36.
- 15 Smiley, op. cit., p. 98.
- 16 See W. T. Easterbrook and Hugh G. J. Aitken, Canadian Economic History, (Toronto, The Macmillan Company of Canada Limited, 1965), pp. 432 - 435.
- 17 ibid., pp. 441 - 444.
- 18 See Leslie Roberts, C.D., The Life and Times of Clarence Decatur Howe, (Toronto, Clarke, Irwin & Company Limited, 1957), pp. 43 - 44.
- 19 It has been suggested to me that this role is more properly described as the socialization of the costs of the infrastructure on a non-profit basis. Because there are a number of examples of parallel infrastructural operations in the private and public sectors, I find this argument difficult to accept.
After writing the above, a letter in Canadian Dimension, 10:2,56, June, 1974, pointed out that my position can be supported theoretically. See Steve McBride, "Setting Naylor Straight".
- 20 Roberts, op. cit., p. 87: "What Howe Started in 1940 was an industrial revolution...."
- 21 Easterbrook and Aitken, op. cit., pp. 469 - 470.

- 22 See Rick Deaton, "The Fiscal Crisis of the State and the Revolt of the Public Employee", Our Generation, 8:23 - 24, October, 1972, citing Philip Mathias, Forced Growth, (Toronto, James Lewis and Samuel, 1971) p. 12; also see Daniel Drache, ed., Quebec -- Only the Beginning, (Toronto, New Press, 1972), pp. 166 et seq.
- 23 Deaton, op. cit., p. 24.
- 24 See J. Harvey Perry, op. cit., also H. Heward Stikemann, Q.C., ed., Canada Tax Service, (Toronto, Richard De Boo Limited, undated), p. 3001.
- 25 Capital Gains, (Ottawa, Taxation Distribution Centre, undated), p. 40, notes: "An individual who dies on or after January 1, 1972, is considered to have disposed of each capital property owned by him immediately before his death." The same page points out: "The resulting capital gain or loss must be reported on the deceased's last return."
- 26 Mr. Veres, Senior Trust Officer, Royal Trust Company, Vancouver, B.C. telephone conversation, March 16, 1973.
- 27 "It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production... Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy..." V. I. Lenin, Imperialism, the Highest Stage of Capitalism, (New York, International Publishers Co., Inc., 1970), p. 59.
- 28 ibid., pp. 35 - 36, 47, 89.
- 29 Park, op. cit., Chs. IV and V.
- 30 ibid., Ch. V.
- 31 ibid., p. 244, Table IV. The second level banks are closely related to trust companies in the following manner: Canadian Imperial Bank of Commerce with National Trust and with Canada Trust; Toronto-Dominion Bank with Canada Permanent Toronto General Trusts; Bank of Nova Scotia with National Trust and with Eastern Trust; Banque Canadienne Nationale with General Trust of Canada; and the Provincial Bank of Canada with Administration and Trust Co.

- 32 ibid., pp. 84 - 99. The importance of the big law firms is also stressed by the Parks.
- 33 Lenin, it seems to me, is somewhat ambiguous on this point, sometimes implying the predominance of the banks while at other times writing of "the merging or coalescence of banking with industry" as giving finance capital its content. See Imperialism, op. cit., pp. 35 - 36, 47, 89. The theoretical solution adopted by the Parks seems to be the most useful one at this point. They write: "The point is not, of course, whether the banks dominate industry or industry the banks; it is that the same group of finance capitalists dominate both." op. cit., p. 74.
- 34 C. A. Ashley, "Concentration of Economic Power", C.J.E.P.S. Vol. XXIII, #1, February, 1957.
- 35 Of an earlier class of compradores, Barrington Moore, Jr., writes: "These men served in a variety of capacities as intermediaries between decaying Chinese officialdom and the foreign merchants. Their position was ambiguous. By shady methods they could accumulate great fortunes to live a life of cultivated ease. On the other hand, many Chinese condemned them as servants of the foreign devils who were destroying the foundations of Chinese society." Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World, (Boston, Beacon Press, 1966), p. 176.
- 36 Karl Marx and Friedrich Engels, The Communist Manifesto, (New York, Washington Square Press, Inc., 1964), p. 61.
- 37 F. Engels, The Origins of the Family, Private Property and the State, (Moscow, Progress Publishers, 1968), p. 168, remarks: "... periods occur in which the warring classes balance each other so nearly that the state power, as ostensible mediator, acquires, for the moment, a certain degree of independence of both." V. I. Lenin, The State and Revolution, (Moscow, Progress Publishers, 1969), pp. 13 - 16, quotes extensively from the same section of Engels.
- Miliband, op. cit., p. 54, points out that: "...for the purpose of analysing the role of the state in ... societies, it is necessary to treat the state elite, which does wield state power, as a distinct and separate entity.
- "It is particularly necessary to do so in analysing the relationship of the state to the economically dominant class."

For the best concise discussion of the problems involved in conceptualizing North American ruling classes, see C. Wright Mills and the Power Elite, G. William Domhoff and Hoyt B. Ballard, eds., (Boston, Beacon Press, 1968). Domhoff's own views are further developed in his The Higher Circles: The Governing Class in America, (New York, Random House, Inc., 1970).

In the latter work, Domhoff defines the "power elite" as: "...active working members of the upper class and high level employees in institutions controlled by members of the upper class.... It is the operating arm of the upper class.... the limits of most policy disputes are defined by the limits of differences within the power elite." (pp. 106 - 107).

The "upper class" is defined as: "... a governing class.... a social upper class which owns a disproportionate amount of the country's wealth... contributes a disproportionate number of its members to governmental bodies and decision-making groups, and dominates the policy-forming process...." (pp. 108 - 109).

And finally: "The governing class manifests itself through a power elite...." (p. 109).

In the earlier work cited, the editors suggest that: "... the corporate elite, who, according to recent research, control those institutions considered 'major' by Mills, form the controlling core of the power elite. The interests and unity of the power elite are thus determined primarily by the interests of the corporate rich...." (pp. 275 - 276).

As indicated in Chapter One, p. 9 above, I think one major flaw in this structure of definition is that it is not well related to the control and ownership of the process of production, nor, especially, to the structure of that process as it relates to the global politico-economic environment. Perhaps this flaw results from the fact that the model was developed at the imperial centre, resulting in an ethnocentric conceptualization.

Porter's model also suffers, I suggest, from a similar drawback, since its corporate elite is defined as those residents of Canada who control, through Boards of Directors, the largest corporations operating in the various conventionally-defined economic sectors. These corporations are then lumped together as "dominant corporations," and their Directors related statistically to the major financial institutions. In the process, as Ashley, op. cit., implied in a critique of Porter's earlier work, the dynamic of inter-relationships between the various sectors, and especially between the financial institutions and the staples industries, tends to disappear. See The Vertical Mosaic, op. cit., Appendix II, pp. 570 - 596.

The compartmentalization involved in Porter's methodology also leads to another difficulty: that of explaining why it is that members of the corporate elite also appear on the controlling boards of numerous non-economic organizations, including cultural organizations such as universities and the Canada Council. In order to explain this logically unexpected phenomenon, Porter attributes to the corporate elite a set of non-economic motivations: "From their cultural philanthropy the corporate elite derive a great deal of honour and prestige...." *ibid.*, p. 302.

As I hope to demonstrate in the following chapters, the corporate elite members who appear among the other members of the Canada Council are concentrated mainly in one particular segment of it, the Investment Committee, from which some of them at least appear to derive powers of control and manipulation over the other, purely economic sectors in which they are interested. The availability of such powers seems to me to provide a much more straightforward explanation, at least in the case of the Canada Council, for the otherwise unexpected appearance of important members of the bourgeoisie in its control structure.

On the subsidiary question of the dynamics of the internal control of modern corporations, including the Canada Council, I do not propose to essay another refutation of the thesis of managerial control. Rather, in line with my basic assumptions regarding the structure of the bourgeoisie, I assume that corporations are controlled in a fundamental way by their legally-elected Boards of Directors. For an alternative argument (rather than a refutation of the latter position) see Paul A. Baran and Paul M. Sweezy, *Monopoly Capital*, pp. 33 *et seq.*, and Miliband, *op. cit.*, pp. 28 *et seq.*, who argue that in any case the ideology of the managers is that of the capitalist owners.

CHAPTER THREE

THE HISTORICAL DEVELOPMENT OF
THE CANADA COUNCILThe Dynastic Model

The Act which created the Canada Council also provided for the transfer of two amounts of \$50 million each from the Consolidated Revenue Fund of Canada to the Council's Endowment Fund and its University Capital Grants Fund.¹ This money has been explicitly linked to the death taxes from the estates of two Canadian multi-millionaires, Izaak Walton Killam and Sir James Dunn.²

The double transfer from the estates to the Consolidated Revenue Fund and thence to the Canada Council has been described to me as a technique for "sterilizing"³ the money. The effect of this sterilization is to cut off the capital from its history, and thus to avoid the imputation of links between the Council and the sources of such a large block of accumulated surplus value.

The purpose of this chapter is to describe the accumulation of the capital, its transfer to the state, and its institutionalization as the Canada Council. This description, by emphasizing the social links between the various men involved, will call into question the adequacy of the "sterilization" model.

In a recent paper Tepperman defined a "dynasty" as a family which has maintained continual prominence over five generations or 150 years.⁴ He found that approximately five percent of historically prominent Ontario families had produced dynasties, a

proportion that corresponded closely with his predictions.

Tepperman's major conclusions are as follows:

"... prominent fathers must secure their son's status, for if they fail to do so, some family status is likely to be lost and is unlikely to be regained. Yet we have seen also that sons must make some use of elite 'supports,' provided particularly by prominent kin, if they are to inherit and maintain father's prominence. Family members are mutually interdependent in the maintenance of their prominent status; in this sense, the family, indeed the extended family, or an even more extended family-and-friendship clique is the efficient operator in securing the status of its members, and therefore the family rather than the individual, is, as many have maintained, the appropriate unit of analysis in studies of stratification and mobility, particularly those studies having reference to the elite or upper class."⁵

These conclusions are significant because they demonstrate that there are patterns of close-knit family ties among members of the Canadian upper class. It is thus appropriate to approach a case study of that class through the biographies of its members as well as through the dissection of the institutional structures which they create.

The Accumulation of the \$100 million

In the universe of the Canada Council, "Ike"⁶ Killam is the sun. Around the Killam dynasty revolve bank capitalists like Max Aitken (first Lord Beaverbrook), industrialists like James Hamet Dunn, and members of the state elite such as (Charles) Vincent Massey and C. D. Howe. The pole star in this particular universe is the Maritime dynasty of the Stairs family which, although not directly involved in the creation of the Council, appears to have had links with virtually everyone who was so involved.

The dynastic accumulation of the Council's capital began in 1766, when Ike Killam's great-great-grandfather arrived in Yarmouth, Nova Scotia, from Massachusetts, "...settled upon the lands near or adjoining Yarmouth Harbor, and so decided they should be the site for Yarmouth County Town."⁷ The appropriate relationship with the state was immediately established by a grant to the family of 983 acres of land in the townsite area.⁸

The town of Yarmouth was strategically located for maritime commerce with the New England seaboard and the West Indies, and by the turn of the century John Killam Jr. owned shipping totalling 435 tons.⁹ In the early part of the nineteenth century the family was branching out into marine insurance and real estate development.¹⁰ In 1855 the family held a one-quarter ownership in the Yarmouth Steam Navigation Company, and in addition provided two of the company's captains as it plied between Yarmouth and Boston.¹¹ A Killam was instrumental in the formation of the Yarmouth Gas-Light Company in 1863.¹² Frank Killam was one of the first directors of the Western Counties Railway Company which, after nine years and about \$1 million in provincial and municipal subsidies had managed to complete only two-thirds of its planned construction because of "Various political complications...."¹³ In 1865 Ike Killam's grandfather was one of the founders of the Bank of Yarmouth.¹⁴

Another fact exemplifies particularly clearly the close association between kinship and business in that era. The Board of Directors of the Yarmouth Duck and Yarn Company, incorporated in

1883 with a capital of \$150,000, was constituted as follows in

1884:

"William D. Lovitt, President.
 Samuel Killam, sen., Vice-President.
 A. C. Robbins.
 Frank Killam.
 Bowman Corning.
 Thomas E. Kelley.
 Hugh Cann.
Secretary and Treasurer, Thomas Killam."¹⁵

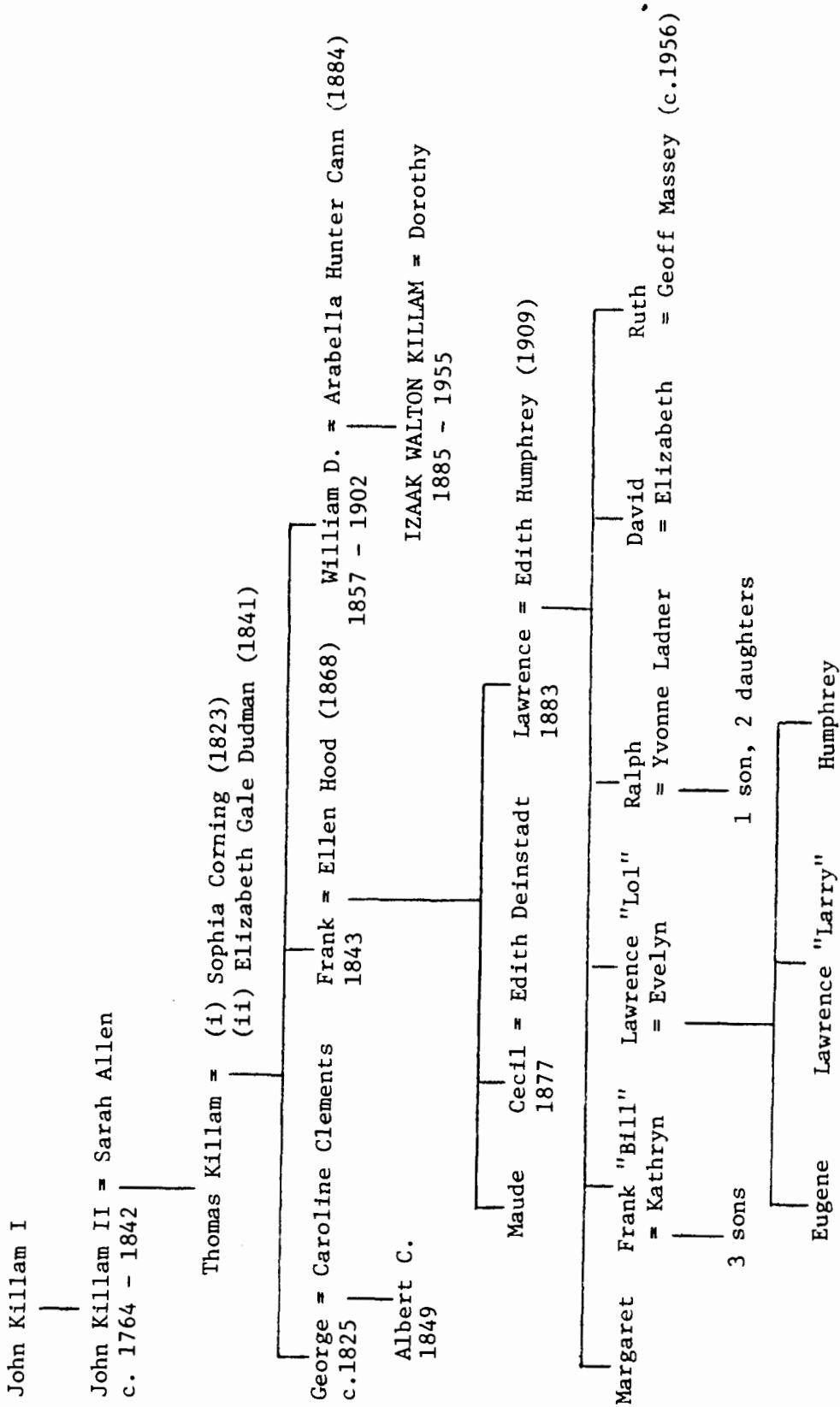
Table II below (page 44) demonstrates that in this group two of Ike Killam's supporting lineages are united. The business was apparently a sizeable one.¹⁶ Killam's father, however seems to have been mainly involved in the maritime trade; he is listed as part-owner of two vessels totalling over 2,000 tons. Their names -- "Guiana" and "Venezuela" -- offer suggestive evidence of the contemporary interests of the family.¹⁷

Born in 1885, Ike Killam was working as a teller in the Union Bank of Halifax in 1902 when Max Aitken arranged its amalgamation with the Commercial Bank of Windsor. With the proceeds of this deal, Aitken set up the Royal Securities Corporation as a mechanism for facilitating his financial activities; in 1904 he hired Killam as its manager,¹⁸ thus bringing him into the inner circles of Maritime finance. The first Board of Directors of Royal Securities Corporation consisted of Aitken, John F. Stairs, George Stairs, R. E. Harris and C. H. Cahan.¹⁹

The first few years of the twentieth century witnessed the incursions into South America of promoters like William Mackenzie, F. S. Pearson, William Van Horne and others.²¹ According to his own report, Aitken first contacted the Stairs dynasty in his role as a

TABLE II

PARTIAL GENEALOGY OF THE KILLAM DYNASTY



Sources: see n.20

salesman of Brazilian Light and Traction Company bonds in 1901.²² In 1902 Aitken and Cahan were promoting such securities as Trinidad Electric, Demerara Electric, Porto Rico Railways, and Camaguey Electric. James H. Dunn, who had been a boyhood friend of Aitken's in New Brunswick also participated in the same process of expansion -- in 1905 he set up the firm of Dunn, Fischer & Co., in London in order to make a market there for Pearson's promotions, which included Rio de Janeiro Tramway Light and Power.²³

Killam undoubtedly involved himself in similar operations. He was Manager of the London office of Aitken's Royal Securities Corporation from 1909 to 1913. In 1919 he bought the firm from Aitken, retaining John F. Stairs' stepson as manager. As late as 1948 Killam was still President of the following corporations (among others): Bolivian Power Company, Demerara Electric Company, Monterey Railway Light and Power Company, Porto Rico Power Company, and Venezuela Power Company. These operations were controlled through a holding company -- International Power Company -- of which Killam was President and majority shareholder.²⁴

Evidently then, the Canadian financiers were establishing their control over key sectors of the industrial economies of these countries, and thereby probably contributing to the dependence which perpetuates what Gunder Frank has called "under-development". An example of the process involved and its culmination, has been detailed by the Parks. International Power, personally controlled by Killam, had paid no dividends between 1926 and 1950. In 1950 an amendment to the Canadian Income Tax Act allowed it to pay a tax of 15% on its

undistributed profits, and to distribute the remainder, free of tax, to its shareholders. Since Killam was in fact the majority shareholder, the result was "... a tax-free gift to Killam of \$4.3 million."²⁵

But the characterization of the overseas incursions of the financiers as contributing to under-development can also be applied to the Canadian ventures which they were carrying on at the same time. An example from British Columbia will suggest the applicability of the colonial analogy, especially since it culminated in the same year as the International Power case cited above.

In 1925, British Columbia Pulp and Paper Company Limited was set up to take over the bankrupt Whalen Pulp and Paper Mills Limited -- in which both Ike Killam and his cousin Lawrence were directors. Lawrence emerged as the President of the new company.²⁶ In 1950 he was still President when the company was sold to Abitibi Power and Paper and the Koerner interests for \$20 million. According to allegations made by another shareholder, the sale resulted in a tax-free gift to Killam of \$10.8 million, with an additional \$3 million to other members of the same dynasty, presumably under the dispensation which also covered the International Power distribution.²⁷ B.C. Pulp had paid no dividends between 1931 and 1946, and in 1947 was \$101.50 in arrears on dividend payments on each of its \$100 Preferred shares.²⁸

By the time of his death in 1955, Ike Killam's interests spanned the continent -- from Newfoundland Light and Power Company to Calgary Power Company -- and extended into South America -- with

Bolivian Power Company and Venezuela Power Company. His estate was valued at between \$150 and \$200 million,²⁹ and the west coast branch of his dynasty was establishing important connections with the Liberal wing of the power elite.³⁰

Yet like James Dunn, whose acquisition of Algoma Steel was based on financing from London and whose operation of the company was closely connected with the M. A. Hanna Company of Cleveland,³¹ Killam was in all probability a mere agent of the structure of international finance capital represented by Lord Beaverbrook. In fact, Beaverbrook was to close the circle eight years later by marrying the third Lady Dunn.³² It should, nevertheless, be clear from the above history that both Killam and Dunn properly fall into the category of "finance capitalist" (page 30 above), although the latter's interests were far more concentrated in a single corporation.³³

The Transfer Mechanism

Ike Killam died August 6, 1955; James Dunn January 1, 1956. During the debate on the Canada Council bill in 1957, St. Laurent was to argue that the resulting death duties represented "...amounts that could not be considered to be recurring amounts."³⁴ The implication was that the Council became possible as a result of this non-recurring windfall. The following sections of the thesis accept the windfall argument, but seek to show that it did not make the Canada Council possible. Rather, the windfall of \$100 million made the Council necessary, as a means of providing, for the

interested groups, some continuity of control over a substantial amount of accumulated surplus value.

The history of the transfer mechanism is far shorter than that of the accumulation. It revolves around the Massey family, which arrived in Canada in the early nineteenth century.³⁵

The Masseys began as farmers in Ontario and were thus led to embark on the repair and manufacture of agricultural implements. Their subsequent industrialization was accomplished on the basis of American patents, showing that the creation of the Massey-Harris firm actually rested on the National Policy, a colonial relationship, and the connection of the product line to the agricultural staple.³⁶

Since the family's origins and kinship links parallel its developing economic interests, it seems likely that the industrialization process which the family dominated was also achieved on the basis of dynastic factors. The founder of the firm (which by 1893 claimed to be selling half of all the farm implements in Canada)³⁷

married a Phelps from New York. His second son Chester married a Vincent from Pennsylvania, then a Phelps (his cousin) from New York, while the third son married a Denton from Boston. The third prominent generation also integrated American upper-class families into its lineage structure through intermarriage. Among this generation of prominent Masseys, only Vincent, in 1915, married an Englishwoman.³⁸ These marriages created a direct kinship link with

one of the centres of power in the United States: George Edgar Vincent, appointed President of the Rockefeller Foundation in 1917, was a cousin by marriage of the brothers Raymond and Vincent Massey.³⁹

In the following year, George Vincent played a part in the creation of the Massey Foundation, a foundation which was capitalized on the assets of the estate of Vincent Massey's grandfather.⁴⁰

Perhaps it was also this Rockefeller link which in 1926 suggested to MacKenzie King the idea of appointing Massey as Canadian Envoy to Washington. King had been employed by the Rockefellers during World War I as Director of the Investigation of Industrial Relations.⁴¹ With King's electoral defeat in 1930, Massey returned to Canada to become Chairman of the Massey Foundation and, two years later, President of the National Liberal Federation. King's return to power in 1935 was quickly followed by Massey's appointment as Canadian High Commissioner in London, a post which he retained until the end of the war. In August, 1948, Louis St. Laurent ascended to the leadership of the Liberal Party; before facing the electorate he appointed Massey Chairman of the Royal Commission on the National Development of the Arts, Letters and Sciences -- the "Massey Commission" which in 1951 recommended the creation of the Canada Council.

Although Massey recommended the creation of the Canada Council in 1951, the proposal was not actually implemented until 1957, just prior to the Liberals' first electoral defeat in over twenty years. Spanning this period, and undoubtedly, setting its political tone, is the career of C. D. Howe. Howe embodies the contradictory nature of the attempt to industrialize a staples-dependent economy without severing the imperial linkages, an attempt which culminated in 1956 with the great pipeline debate which played a great part in bringing down the St. Laurent government. It is

Howe who links the finance capitalists dealt with in the previous section with the political facade represented by King, Massey and St. Laurent.

Trained in the United States, Howe became a professor of civil engineering at Dalhousie University in 1908. In the same year the university also hired Robert Magill, whose wife, Susan Isabella Stairs was the niece of Max Aitken's original patron (page 43 above). Appointed Chairman of the Board of Grain Commissioners in 1913 by Nova Scotia-born Prime Minister Borden, Magill in turn made Howe the Board's Chief Engineer. By 1919 both Magill and Howe had returned to private enterprise based on the grain staple, Magill as Secretary of the Winnipeg Grain Exchange and Howe as an engineering consultant to such clients as Canadian National Railways, the United Grain Growers, and Saskatchewan Co-operative Elevators.⁴² When King included two former Saskatchewan premiers in his 1935 ministry, he also appointed C. D. Howe Minister of Railways.⁴³

From the time of his original appointment until the Liberal defeat in 1957, Howe was engaged in building the public sector of the Canadian economy in his own image -- the businessman-politician. He abolished the trusteeship which Bennett had placed over the CNR in 1933, and replaced it with a "...normal corporate management under a President and Board of Directors." In the same year he founded Trans-Canada Airlines (now Air Canada) as a CNR subsidiary. As the wartime Minister of Munitions and Supply he created nearly thirty state corporations, like Polymer and Federal Aircraft, and

staffed them with the capitalist friends he had made between the wars. After the war he used similar techniques to convert the economy to peacetime operation.⁴⁴

C. D. Howe was one of James Dunn's executors; convincing evidence of the Minister's social connections with the Beaverbrook group. Following the Liberal defeat of 1957, Dunn's widow donated a \$2 million science building to Dalhousie University and Howe became the Chancellor of Dalhousie.⁴⁵ These linkages into the accumulation process are mirrored by Howe's linkages into the institutionalization. He shared membership of the important Standing Committee on Defence not only with Prime Minister St. Laurent and External Affairs Minister Pearson, but with Defence Minister Brooke Claxton, who later became the first Chairman of the Canada Council.⁴⁶ It seems reasonable to suggest, in the light of this evidence, that Howe played a significant part in the creation of the Canada Council.

Both Claxton and St. Laurent exhibit links with the Stairs dynasty and the Rockefeller interests in Canada. St. Laurent was a director of Metropolitan Life Insurance before entering politics, Claxton became its Canadian General Manager after leaving politics.⁴⁷ One of the lawyers who articulated with St. Laurent's firm in the middle 1930's was John Fitzwilliam Stairs, whose father, Gilbert Sutherland Stairs, was one of Claxton's partners and whose aunt Susan had married Howe's patron Robert Magill (page 50 above). Significantly, Claxton had made a direct contribution to the literature on death taxes as early as 1939, when he co-authored a special study of that

subject for the Rowell-Sirois Commission.⁴⁸

The history of the transfer mechanism, although shorter, closely parallels the accumulation process. It emanates from Massachusetts and Nova Scotia with C. D. Howe,⁴⁹ is based on the production and export of a staple commodity with Massey and Howe, and has imperial connections through Massey, King, St. Laurent and Claxton. The significant difference is that, where the imperial connection of the accumulative group was with Great Britain, the transfer group is connected to the United States; where the accumulators were finance capitalists, the transferers are members of a power elite.

The Creation of the Canada Council

As indicated in the Introduction (pages 5 - 7), it is the anomaly of the Canada Council's continued capitalization which demonstrates the existence of an interesting contradiction. This feature of the Council's structure was apparently added by St. Laurent -- the Massey Commission had not recommended it even though Massey himself had been instrumental in the creation of his family's foundation on a similar basis, and was still Chairman of it when St. Laurent appointed him to the Royal Commission.⁵⁰

In spite of the complex and, in the event, often misleading⁵¹ explanations advanced by St. Laurent in the Commons debates on the bill, the most simple explanation for the decision to capitalize the Council seems to be that it was modeled on the great American

foundations, with which most of the members of the transfer group had greater or lesser connections. The omission of the funding feature from the Commission's report seems to be merely misleading; the question is simply left open. Nor does St. Laurent's suggestion⁵² that it was Killam's wish that his death duties be used in this way change the situation, since it seems reasonable that if such a wish had been expressed it would also have included instructions regarding the appointment of the trustees.⁵³ The fact that Killam's widow later contributed upwards of \$12 million more to the Council also suggests that the institution met with her approval.⁵⁴

One writer has suggested that the Canada Council is "commonly recognized" as an "Unclassified Crown Corporation."⁵⁵ If this is in fact the case, then it seems clear that the term "Crown corporation" is in need of re-definition and clarification. For, the same writer defines a Crown corporation as one which is "...ultimately accountable, through a Minister, to Parliament for the conduct of its affairs..."⁵⁶ As Mr. Lamontagne pointed out in 1964, "... the Canada Council is not an agency of the crown and is therefore not responsible to parliament."⁵⁷ This proposition was implicitly confirmed by the Auditor General in 1971 when he wrote: "The financial statements of the Council are not reproduced in the Public Accounts as are the statements of Crown corporations and other operating activities."⁵⁸

The Canada Council is therefore not a Crown corporation within the conventional meaning of the term, because it is not subject

to parliamentary accounting in practice. The theoretical legality of this situation seems not to have been fully tested, nor have its implications for other operations which are "commonly understood" to be Crown corporations yet been explored, as far as I am aware.

It could be argued, on the contrary, that the Council is significantly dependent on decisions of the Federal Cabinet.⁵⁹ Its history obviously suggests this conclusion, and an examination of its significant features confirms its validity. Although St. Laurent publicly emphasized the independence of the Council from government, its entire membership is appointed by Order-in-Council and the members' remuneration is fixed in the same way. In this it resembles the National Research Council, a Schedule B Crown corporation.⁶⁰ Unlike the NRC, however, the Council does not have an Executive Committee appointed from within its Board. Instead it has an Investment Committee, a majority of which is separately appointed and paid by Order-in-Council. The Cabinet is thus given a quite direct control over the Council's capital fund.

The State Connection

I have argued above (pages 43 - 47) that Ike Killam's financial operations were fundamentally colonialist in character, and that his connections with the Beaverbrook group indicate that the relevant imperial power was Great Britain. It was the nearly simultaneous deaths of Killam and Dunn, and the intervention of the American-oriented Liberal state elite of the day, which severed the links with Britain and institutionalized much of their accumulated

capital in a form which would permit the development of a new imperial connection, this time with the United States.

The Canadian state thus appears as an independently acting structure in this process of re-orientation, although there are strong indications of informal co-operation between state and bourgeoisie in setting up the transfer arrangements. That the relationship here was one of independence or co-operation does not, however, disprove my hypothesis that the bourgeoisie dominates the state, but merely postpones the question to the following chapter in which the role of the Canada Council's Endowment Fund will be considered.

If it emerges that in the context of the political economy of Canada the role of the Endowment Fund is such as to reverse the syndrome of "under-development"⁶¹ of which Killam and Dunn were a part, this will be taken as a strong indication of the independence of the Council (a state institution) from the contemporary bourgeois class. If, on the other hand, the evidence indicates that the role of the Endowment Fund is to perpetuate the metropolis/hinterland situation, this will be taken as evidence (for the particular case of the Canada Council) that the role of the state is to support the current activities of Canadian capitalists.

Of course, state co-operation in hinterland exploitation could be taken as evidence of bourgeois subordination to state interests. To answer this objection it is only necessary to answer the classic question: Who benefits? As I hope to show in the next chapter, the standard reference sources agree that in terms of

social prestige as well as economic advantage, it is the members of the bourgeoisie who chiefly benefit.

FOOTNOTES

- 1 Canada Council Act. 1957, c. 3, s. 14; s. 17 (1).
- 2 Canada, Parliament, House of Commons. Official Report of Debates. (Ottawa, Queen's Printer, 1957), pp. 977, 1022; John Porter, The Vertical Mosaic, op. cit., p. 478.
- 3 Hon. William Hamilton, P.C., personal communication, November 7, 1973. Hamilton was a member of the Conservative opposition during the debates on the Act, and later became Diefenbaker's Postmaster-General. He is currently President and Chief Executive Officer of the Employers' Council of British Columbia.
- 4 Lorne Tepperman, "The Natural Disruption of Dynasties," Canad. Rev. Soc. & Anth., 9 (2) 1972.
- 5 ibid., p. 128.
- 6 This convenient nickname is the one used by Hamilton, op. cit.
- 7 George S. Brown, Yarmouth, Nova Scotia: a Sequel to Campbell's History, (Boston, Rand Avery Company, 1888), p. 49.
- 8 ibid., p. 176.
- 9 ibid., p. 210.
- 10 ibid., pp. 363 - 370, 187.
- 11 ibid., pp. 378 - 379.
- 12 ibid., p. 382.
- 13 ibid., p. 383.
- 14 ibid., p. 374.
- 15 ibid., p. 385.
- 16 J. Murray Lawson, Yarmouth Past and Present, (Yarmouth, N.S., Yarmouth Herald, 1902), end pages, unnumbered. A photograph shows what appear to be the original wooden structures, still bearing the firm's name. One is of two stories, the other three. Together they would hold perhaps 50 workers. The factory of the successor, Cosmos Cotton Company, shown in the same 1902 photograph would hold about 200 workers. It is a typical brick industrial structure of the period, with nine columns of three large arched windows in its main

facade, seven similar columns on the side and one tall factory chimney at the rear.

- 17 Brown, op. cit., p. 220.
- 18 William M. Beaverbrook, My Early Life, (Fredericton, Brunswick Press, 1965), pp. 126 - 128.
- 19 Stairs' father had been a retail merchant in Halifax and a member of the Legislative Council prior to Confederation. The son, Aitken's patron, had been both an MLA and an MP, his first wife was the daughter of a judge, and in 1897 he was President of the Eastern Trust Company (see n. 31, p. 36 above). R. E. Harris later became Chief Justice of Nova Scotia, and was one of the three arbitrators selected to determine the value of the Canadian National Railways stock when it was acquired by the Dominion. In 1915 he was President of the Eastern Trust Company and a Director of the Bank of Nova Scotia. C. H. Cahan had been an MLA and was later an MP. He was Director of Public Safety for the Union Government during the conscription crisis of 1917 - 1918.
- 20 Sources for the genealogy of the Killam dynasty are as follows: Sharleen M. Chevraux, ed., The Ten Dollar Bets, A History of Killam and District, (1967); J. K. Johnson, ed., The Canadian Directory of Parliament, 1867 - 1967, (Canada, Public Archives, Ottawa, 1968); Jay Kincaid (Deputy Librarian, Western Counties Regional Library, Yarmouth) personal communication, May 7, 1973; The Vancouver Sun, "Mrs. Killam Had Kin Here", July 29, 1965: Time, p. 21, February 14, 1972; and various standard reference works.
- 21 Libbie and Frank Park, Anatomy of Big Business, op. cit., pp. 136 - 144.
- 22 Beaverbrook, My Early Life, op. cit., p. 114. Brazilian Traction became the Brascan conglomerate in 1969. See Last Post, 3:34, March, 1973.
- 23 Lord Beaverbrook, Courage; The Story of Sir James Dunn, (Fredericton, Unipress, 1961), pp. 80 - 82.
- 24 Park, op. cit., p. 150.
- 25 ibid., pp. 151 - 152.
- 26 See Annual Financial Review, Canadian, 1919, (Toronto, Houston's Standard Publications, 1919); and ibid., 1923.

- 27 The Vancouver Sun, "Court Case Over Sale of B.C. Pulp Co.," May 3, 1951. One of the aggrieved shareholders was W. G. Rathie, later the Mayor of Vancouver.
- 28 Financial Post Survey of Industrials, 1947.
- 29 Beaverbrook, My Early Life, op. cit., p. 128.
- 30 For example, through the marriage between Ruth Killam and the nephew of Vincent Massey, Geoff.
- 31 Prior to World War II Dunn had worked out an ore exchange agreement between Algoma and the M. A. Hanna Company of Cleveland. By 1944 the terms of trade had turned against Algoma, but Dunn and the President of Hanna, G. M. Humphrey (later Eisenhower's Secretary of the Treasury) worked out a new price structure which "rescued" Algoma. It also circumvented pricing regulations which had been implemented under the War Measures Act. "From then on, until Dunn's death, Humphrey, always a business acquaintance, was also a warm personal friend." Beaverbrook, Courage, op. cit., pp. 169 - 171.
- 32 ibid., p. 130.
- 33 Dunn's estate totalled almost \$68 million; nearly \$65 million of this amount consisted of common shares of Algoma Steel. ibid., p. 269.
- 34 Commons Debates. 1957, p. 977
- 35 Mollie Gillen, The Masseys: Founding Family, (Toronto, The Ryerson Press, 1965), p. 7, implies that the family arrived in 1830. According to Canadian Men and Women of the Time, 1912, (Toronto, William Briggs, 1912), it was 1809.
- 36 ibid., pp. 24 - 25, 27, 35, 52.
- 37 ibid., p. 121.
- 38 Vincent Massey married Alice Stuart Parkin in 1915. Geoff Massey is the son of his younger brother Raymond Hart Massey by his first marriage to Peggy, daughter of Admiral Sir Sydney Fremantle, in 1921.
- 39 Vincent and Raymond Massey's mother, Anna Dobbins (Vincent) Massey, was the sister of Bishop John Heyl Vincent, George Edgar Vincent's father. See Canadian Men and Women of the Time, 1912, op. cit.; National Cyclopedia of American Biography, (Clifton, N.J., James T. White & Company, 1914, 1916), Vol. XV, p. 236.

40 Gillen, op. cit., pp. 153 - 154.

41 In this capacity, King is cited as having "...rendered extensive service in the adjustment of relations between workers and employers in several of the most important war industries in America." Who's Who in Canada, 1923 - 24, (Toronto, International Press, 1924). The necessity for some amelioration in the situation is noted by Waldemar A. Nielsen in The Big Foundations, (New York, Columbia University Press, 1972):

"In 1914 W. L. Mackenzie King of Canada was hired to direct a research program in the field of industrial relations. But coincidentally a strike erupted in a Rockefeller-controlled company -- the Colorado Fuel and Iron Company -- which turned into one of the most savage in the history of American industry, culminating in the tragic Ludlow Massacre. Federal troops had to be brought in to control the bloody fighting between mine workers and the state militia." (p. 53).

42 Who's Who in Canada, 1919 - 20, (Ottawa, International Press, 1912).

43 See Leslie Roberts, C. D., The Life and Times of Clarence Decatur Howe, (Toronto, Clarke, Irwin & Company Limited, 1957), pp. 10, 13 - 14, for details of King's 1935 administration.

44 Roberts, op. cit.

45 Beaverbrook, Courage, op. cit., pp. 267 - 269.

46 See Brooke Claxton, "The Industrial Defence of Canada," in Industrial Canada, XLI, #7, November, 1948.

47 Park, op. cit., p. 57. According to Porter, "...Claxton went from the Canadian cabinet to head the Canadian operations of the Metropolitan Life Insurance Company, an American firm for which his father had been chief counsel." op. cit., p. 272.

48 L. M. Gouin and Brooke Claxton, Legislative Expedients and Devices Adopted by the Dominion and the Provinces, (Ottawa, 1939). Gouin is the son of Sir Lomer Gouin, the former Premier of Quebec and Mackenzie King's original choice as "Canayen lieutenant." See The History of Quebec; a Patriote's Handbook, Leandre Bergeron, (Toronto, NC Press, 1971), p. 175.

- 49 Howe was born 1886 in Waltham, Massachusetts, educated at M.I.T., and married the daughter of his first employer, J. R. Worcester of Waltham. He was naturalized in 1913. In 1939 it was claimed that he was distantly related to Joseph Howe of Nova Scotia. See Canadian Who's Who, 1938 - 39, (Toronto, Trans-Canada Press, 1939).
- 50 Properly referred to as Report. Royal Commission on National Development in the Arts, Letters and Sciences, 1949 - 1951, (Ottawa, King's Printer, 1951). Hereinafter referred to as the Massey Report. Two pieces of evidence suggest that the omission of recommendations on capitalization from the Report was deliberate: first, the existence of the Massey Foundation, which was intended to avoid the rapid distribution of the assets of the estate upon which it was founded, and which was created by federal charter in 1918; and second, the fact that both Vincent Massey and his father Chester had experience as Directors of the National Trust Company going back to 1912. Since the separate legal existence of such trust companies is necessary because chartered banks are prohibited from administering trusts and estates, it seems strange that the Royal Commission failed to suggest a similar structure. On the creation of the Massey Foundation, see Gillen, op. cit., pp. 153 - 154. When the St. Laurent administration was defeated in 1957, C. D. Howe became a Director of the National Trust Company.
- 51 St. Laurent argued that the Council's endowment was necessary to attract the right kind of people to serve on it; that it would protect the Council from "pressures"; that Ike Killam had wished for it; that the Council would not then be able to ask for more money; and that the endowment provided a place for other donors to allocate their bequests. Canada, Parliament, House of Commons. Official Report of Debates, op. cit., 1957, pp. 421, 977, 1029, 397.
- 52 ibid., p. 977.
- 53 Had Killam and St. Laurent made such an arrangement, it would of course have been illegal. St. Laurent denied in the House that there had been any "...testamentary disposition or any recommendation in writing or anything of that kind." ibid., p. 1022. Nevertheless, some such arrangement is certainly part of the logic of the situation -- my reading of the Dominion Succession Duty Act 1940-41 indicates that Killam could have avoided duty on his estate only by emigrating and taking his assets with him. Had he set up a private foundation, it would have been exempt from duty but

his estate would have been liable for duty on the aggregate value of the estate and foundation together. See Financial Post, June 9, 1956, p. 53.

- 54 C.C., XIII, 1969 - 70.
- 55 Hugh J. Mullington, "The Federal Government as an Entrepreneur -- The Canadian Experience," (Ottawa, Carleton University, 1969), unpublished M.A. thesis.
- 56 ibid., p. 29, citing the Financial Administration Act 1952, c. 116, in which the relevant section is s. 66.
- 57 Commons, Debates, 1964, p. 7579.
- 58 Report of the Auditor General...1971, (Ottawa, Information Canada, 1972), p. 303.
- 59 This proposition is also supported by Hamilton, op. cit., who remarked that he had always thought of the Canada Council as being closely connected to the Cabinet.
- 60 Financial Administration Act, 1952, op. cit.
- 61 Watkins, in Canadian Confrontations, op. cit., p. 35, attributes this term to Andre Gunder Frank.

CHAPTER FOUR

THE STRUCTURE OF THE
CANADA COUNCILPhilanthropy or Control

In this chapter I will concentrate attention on the structure of the Canada Council's Investment Committee, showing that its social composition has undergone various changes since its creation in 1957. I will spend less time on the Canada Council proper and its supporting bureaucracy, since these appear to have undergone complimentary development.

The decision to concentrate attention on the Investment Committee and the Endowment Fund is theoretically grounded in the proposition that the concentration and control of capital (defined as accumulated surplus value) is the most significant process in capitalist society. Wage labour, on the other hand, being widely distributed, does not in itself have the same immediate significance. And this is especially true in the case of "cultural" wage labour in Canada, which is almost completely unorganized.

Critics of the great American foundations have alluded to two major structural features they exhibit -- philanthropic distribution and corporate control.¹ In the case of the Canada Council, which was, it seems likely, modeled along the lines of the private foundations² a similar distinction holds. While it may be

possible to understand the distributive process as both reflecting and eventually reinforcing the "law of uneven development,"³ the effects of the investment and re-investment of the capital fund are, I suggest potentially far more immediate and direct. While the philanthropic activities of the Council are assumed to affect the "implicit values" of Canadian society, the activities of the Investment Committee relate quite directly to the process of production without which "values" (implicit or otherwise) would not exist.⁴

The Legal Structure

It might be thought that a focus on the corporate, capital aspect of the Canada Council implies an acceptance of the definition of the Council as a "government enterprise."⁵ However, as I hope to show in the next section, such a definition mistakes the legal appearance for the social reality. For, the power of the members of the Canada Council to control its operations flows not only from the formal, legal structure of the Council itself, but also from their respective positions in the structure of the political economy of Canada. From the legal structure flows authority, but this authority may be in conflict with the weight of influence which some members derive from their other roles.

Under the terms of the 1957 Act, the Council itself consists of nineteen members appointed for three year terms and a Chairman and Vice-Chairman appointed for five year terms. Appointees may serve only two consecutive terms. In addition to the Council members and officers, the Cabinet directly appoints two bureaucrats, the Director and Associate Director "...to hold

office during pleasure."⁶ The salaries and honoraria of this entire group are fixed by Cabinet, while the Council itself hires and pays additional support staff. Except for pension purposes, none of the Council's employees are deemed to be civil servants.

Overlapping the above structure is the Investment Committee, consisting of the Chairman of the Council ex officio, a designate of the Council from among its own membership, and three additional "tenured" appointees of the Cabinet who are literally appointed without term -- the Act nowhere specifies the length of time the latter appointees shall remain in office,⁷ even omitting the "at pleasure" clause covering the two bureaucrats.

Under the Act, the Canada Council may invest the capital of the Endowment Fund "... in any manner it sees fit...."⁸ It is the duty of the Investment Committee merely to "...aid and advise the Council in making, managing and disposing of investments under this Act."⁹ The members of the Investment Committee are also remunerated by Order-in-Council.

On the basis of this dual structure it seems likely that the St. Laurent Cabinet had in mind the distinction between the processes of accumulation and distribution. However, from a legal standpoint the Act subordinates both aspects to control by the Council proper. Authority rests with the twenty-one members of the Canada Council, who are in turn beholden directly to the Cabinet for their initial appointment and honorarium. Similarly, the top echelon of the Council's bureaucracy is dependent on the Cabinet, while lower echelons are employed by the Council.

The Power Structure

Although legal authority lies with the members of the Canada Council, it is possible to weigh against this the influence of the members of the Investment Committee. There are in fact various items which suggest that the influence of the Investment Committee may outweigh the authority of the Canada Council.

First, there is the point that although both groups reach their respective positions via Orders-in-Council, the members of the Council hold office for a maximum of six consecutive years, while the members of the Investment Committee are tenured.¹⁰ There are indications, furthermore, that their tenure is legally more secure than that of members of the other "unclassified" Crown corporations.¹¹ Nor is this a purely legal distinction, since in practice members of the Investment Committee actually do stay longer in that office than the other group does in its; over nine years on the average as compared with a maximum of four years on the average. (See Table III, page 67 below.)

Thus in terms of internal social structure, it seems reasonable to suggest that the smaller, more stable Investment Committee will exercise proportionately greater influence over the affairs of the Council than the larger, less stable, and presumably less cohesive collectivity. This would be especially true in areas where the Investment Committee has the formal duty to advise and influence the Canada Council.¹²

Additional evidence of the relative influence of the

TABLE III

TENURE OF APPOINTEES TO
THE INVESTMENT COMMITTEE
1957 - 1972

<u>Tenured Appointee</u>	<u>Term of Office (years, inclusive)</u>	<u>Length of Tenure (years)</u>
Frank Elliott Case	1970 --	--
G. Arnold Hart	1960 - 1969	10
Louis Hébert	1965 - 1970	6
John G. Hungerford	1957 - 1968	12
Trevor F. Moore	1968 - --	--
James Muir	1957 - deceased	--
Raymond Primeau	1971 - --	--
Graham F. Towers	1957 - 1965	9
	<u>AVERAGE TERM</u>	9 1/4

Note: Of the 57 members of the Canada Council eligible for re-appointment to a second three-year term between 1957 and 1966, 19 were actually appointed for a second term. Assuming for a moment that all members completed their full terms of 3 or 6 years, this gives a total of 228 member-years served by 57 members, or an average term per member of exactly 4 years. In fact such a calculation is a simplification, since the charter members were appointed for terms ranging from 2 to 4 years, and some members resigned or died in office. The maximum possible consecutive term for a member of the Canada Council (other than the Chairman and Vice-Chairman), is 7 years for a charter member or 6 years otherwise.

Sources: Canada Council, Annual Reports, I - XV, 1958 - 72.

two groups may be deduced from the proposition that the availability of biographical and economic data in the standard sources is indicative of upper class status.¹³ In the case of the Canada Council and its Investment Committee, the pattern of availability demonstrates clearly the superior position of members of the Investment Committee (Table IV, page 69 below). A similar, though less convincing pattern is produced when the same test is applied to members of the supporting bureaucracy.¹⁴

There is, therefore, both internal and external evidence suggesting that the real, social structure of the Canada Council is significantly different from the formal, legal structure. The nominally subordinate Committee may well be in a position to implement investment policy independently of significant Council supervision. This potential for independence flows both from the fact of Cabinet appointment to positions from which they cannot be dismissed, and from the relatively dominant social status enjoyed by the average member of the Investment Committee. Indeed, it would not be surprising if these two factors were interrelated.¹⁵ In any case, independence from the Council also implies independence from parliamentary, and even to some extent from Cabinet, control, and helps to explain the paucity of public information and discussion on the activities of the Investment Committee.

Research Method and Assumptions

Between 1957 and 1972 there were only 8 tenured members of the Investment Committee, and a further 10 designated and

TABLE IV

AVAILABILITY OF DATA

BY POPULATION

1957 - 1970

<u>Group</u>	<u>Total Pop'n</u>	<u>Data (%)</u>		
		<u>Economic</u>	<u>Biographical</u>	<u>Either</u>
Canada Council	69	30 (44%)	45 (65%)	45 (65%)
Investment Committee (tenured and untenured)	15	14 (93%)	15 (100%)	15 (100%)
Canada Council Support Personnel	63	0 (0%)	6 (9%)	6 (9%)
Investment Committee Support Personnel	10	2 (20%)	1 (10%)	2 (20%)

Sources: See section above on Research Method and Assumptions,
pp. 67 - 72.

ex officio members. In the next section I use biographical information about these men to assign them to specific politico-economic roles in the structure of Confederation discussed in Chapter Two above.

The biographical data was gathered in the following manner:

i) A complete list of the members, employees and related personnel of the Canada Council and the Investment Committee was compiled from the annual reports of the Council through 1972.¹⁶

ii) Data on this population, which consisted of 8 members of the Investment Committee with tenure, 69 members of the Canada Council, 73 supporting employees and 14 others mentioned as serving the Council, was then sought in the standard reference works listed in the Bibliography below (pages 172-174). Official and unofficial biographies, newspaper and magazine reports and other secondary sources were also consulted, usually in situations where the standard reference books seemed to fall short.

iii) Finally, as part of the effort to track kinship and friendship connections amongst the subject population, information from similar sources was collected on over 100 other individuals. As well, the structures of about 15 subjectively significant corporations were studied and their development over time investigated.¹⁷

In building up these biographies, two aspects were particularly emphasized: economic roles and kinship and friendship connections. These two aspects are regarded as being of roughly

equivalent importance; for example, marriage into an important family is regarded as being roughly the same as joining the spouse (or a parent of the spouse) on a corporate Board of Directors. Similarly, a blood relationship (or well-documented evidence of friendship) is regarded as evidence of regular communication and common interests unless there is strong evidence to the contrary.

The assignment of quantitative weightings to kinship links and corporate roles is of course fraught with difficulty. I have simply accepted, in mechanical fashion, the ranking of economic roles given in the standard sources. These almost invariably differentiate between a major career role and secondary interests, and, as well, provide a ranking on the basis of corporate title.¹⁸ Together, these indicators give, I believe, a reasonably accurate picture of the role and status of each subject, at least at the time the entry appears. I have not attempted to rank kinship roles, but have accepted the "extended family-and-friendship clique" model offered by Tepperman.¹⁹

None of the above factors, however, bear directly on the status of a given member of the Council or Committee relative to other members. To assess this relative status, it is necessary to locate each individual in the political economy of Canada outlined in Chapter Two, on the assumption that the hierarchy of finance capital forms a stable structure for the time period under consideration. The pinnacle of influence in this structure would be represented by the presidency of one of the "big three" chartered banks combined with

control over some productive sectors of the economy and a link with a socially or politically significant dynasty by blood, marriage or friendship.

An example from the previous chapter will make the process of analysis clearer. C. D. Howe's first significant politico-economic role was as Chief Engineer to the Board of Grain Commissioners, a role which linked him both to the federal government and to a major staple commodity. However, it seems likely that this appointment was itself based on an indirect friendship and kinship connection through Robert Magill to the Stairs family, a true dynasty by Tepperman's definition.²⁰

Later Howe became a minor industrial capitalist (though still closely linked to the grain trade)²¹ following which he moved directly to the centre of political power as a member of the state elite, passing on his overt economic role to his son and son-in-law.²² Finally, after the defeat of St. Laurent, he became Chairman of the Boards of Ogilvie Flour Mills and Price Brothers (Bank of Montreal connections)²³ and a Director of the Bank of Montreal, as well as a Director of National Trust Company (Canadian Imperial Bank of Commerce and Bank of Nova Scotia connection)²⁴ and of Canadian Investment Fund (the Calvin Bullock fund supervised from New York)²⁵

Howe therefore emerged as a finance capitalist by a complicated route through the industrial sector and the state elite, probably with initial assistance from the dynastic structure. His

directorship in Canadian Investment Fund may even indicate the beginning of a role as an international finance capitalist. His career contrasts markedly with that of Ike Killam, who achieved almost the same prestigious height through direct dynastic support and purely financial activity. Killam thus became a finance capitalist via "bank" capital and also perhaps through the dynastic connection which enhanced his attractiveness to Beaverbrook.

The Sociology of the Investment Committee

Developments in the Investment Committee can be conveniently divided into four stages, beginning in 1957, 1960, 1965 and 1969. Superimposed on these stages is the development of an increasing division of labour between the Council and the Committee, dating from the creation of the anomaly of under-capitalization in 1965. At this point, with the increase in direct support to the Council's distributive mechanism, there was an implicit acceptance of decreased control over the accumulation process operated by the Investment Committee.²⁶

The first period, 1957 to 1960, represents the control of the original St. Laurent appointees²⁷ -- a sort of rearguard left to defend the interests of Liberalism against Diefenbaker. It consisted of Graham F. Towers as Chairman of the Committee, John G. Hungerford and James Muir as the other tenured appointees, Brooke Claxton ex officio, and Major-General George P. Vanier as the Council's designate.²⁸ The significant socio-economic interests of this group

are set out in Table V (page 75 below) in summary form.

With the exception of Vanier, all these appointees are clearly bank or finance capitalists. Vanier's economic affiliations are something of a mystery, since they do not appear in the standard reference books.²⁹ His connections with the state and the Liberal Party, on the other hand, are perfectly clear. He married the daughter of a Quebec judge, served as ADC to Governor-General Lord Byng of Vimy, and was already Secretary to the Canadian High Commissioner in London when Vincent Massey arrived as the new Commissioner and Lester Pearson was appointed Political Secretary.³⁰

Claxton and Hungerford are pure bank capitalists, neither of whom had ever controlled or owned any form of material production. As indicated in the previous chapter (pages 51 - 52 above), Claxton had a long-standing connection with the U.S.-controlled Metropolitan Life Insurance Company. When appointed to chair the Canada Council he was, in addition, a Director of Montreal Trust Company. He resigned neither post. Hungerford, who had married into the Seagram distilling family shortly after it had sold its liquor interests to the Bronfmans and transferred its activities to the Toronto Stock Exchange, was the President of National Trust Company (where he welcomed C. D. Howe in 1957) and a Director of Canada Life Assurance Company. He appears to have merely consolidated these positions during his eleven-year tenure with the Investment Committee.³¹

Towers and Muir were career bankers who had by 1957 established themselves as finance capitalists -- that is, their

TABLE V

MAJOR INTERESTS, CANADA COUNCIL INVESTMENT COMMITTEE

1957 - 1960

Appointment	Interests on appointment:	
	Social	Economic
Claxton <u>ex officio</u> , 1957 - 1960	--	Metropolitan Life Ins. Co., (VP); Montreal Trust.
Hungerford, tenured, 1957 - 1968	m. Seagram	National Trust (P); Dominion-Scottish Inv.; Western Asse.; British America Asse.; Canada Life Asse.
Muir, tenured, 1957 - 1960	--	Royal Bank of Canada (C and P); Montreal Trust (VP); Algoma Steel; CPR; Metropolitan Life Ins.; Sogemines; Standard Brands; Westcoast Transmission.
Towers, tenured, 1957 - 1965	desc. Richardson m. Godfrey	Canada Life Asse.; Canadian Investment Fund; Courtaulds (Canada); Hudson's Bay Co.; Moore Corp.
Vanier, designated, 1957 - 1959	m. Archer/ de Salaberry	Bank of Montreal?; Standard Life Asse.?

control spanned both the financial and the productive sectors of the economy. Both men began their careers with the Royal Bank of Canada (in 1920 and 1912 respectively); Muir became its President in 1949. Perhaps because of his kinship connection,³² Towers became the first Governor of the Bank of Canada in 1934; after World War II he served for a short time as Executive Director of the International Bank for Reconstruction and Development (the World Bank), and as a Governor of the International Monetary Fund. Soon after his appointment to the Investment Committee, Towers added important national and international interests, becoming Chairman of Canadian Investment Fund and a Director of the Royal Bank of Canada, General Motors Corporation (the U.S. parent company) and Bell Canada by 1959.³³ By 1965 when he retired from the Committee, he was also Chairman of Canada Life Assurance, a post in which he was to be succeeded by fellow Committee member John Hungerford.

Table VI (page 77 below) illustrates the significance of Canadian Investment Fund as a meeting place for Bank of Montreal, Royal Bank of Canada and Canadian Imperial Bank interests. The linking of this large private investment fund to the Council's Endowment Fund for the first twelve years of the latter's existence draws attention to two recurring features of the Investment Committee's structure. Not only is the Canadian Investment Fund supervised from the United States,³⁴ but the effect of linking it to the Endowment Fund seems to have been beneficial for the linking Director.³⁵

TABLE VI
 SELECTED CONNECTIONS,
 CANADIAN INVESTMENT FUND LTD.,
 BOARD OF DIRECTORS, 1959

<u>CIF Board</u>	<u>Other Board Memberships</u>
Towers (C)*	Royal Bank of Canada, Canada Life Assurance, Bell Telephone Co. of Canada, Moore Corporation, Canadian Fund Inc. (C), British Petroleum Co. of Canada, General Motors Corp., Hudsons Bay Co.
Bullock (P)*	Calvin Bullock Ltd.
Dawes (VP)*	Royal Trust Company, Canadian Fund Inc.
Chippindale	Calvin Bullock Ltd.
Borden	Brazilian Traction (P), Bell Telephone Co. of Canada, IBM Canada, Massey-Ferguson, Canadian Imperial Bank of Commerce, Norwich Union Life Insurance
Brais	CPR, Sun Life Assce. Co. of Canada, Montreal Trust Company, Banque Canadienne Nationale
Crump	CPR (P), Bank of Montreal, Cominco
Howe	Bank of Montreal, National Trust Company, Cominon Tar & Chemical, Aluminium Ltd., Price Bros., RCA Victor, Ogilvie Flour (C)
Huggett	Royal Trust Company, Du Pont of Canada (C)

* (C) indicates Chairman, (P) indicates President, (VP) indicates Vice-President.

Source: Financial Post Directory of Directors, 1959.

Lastly, it should be noted that it was Montreal Trust Company, represented on the Investment Committee by Claxton and Muir, which was chosen to handle the equity transactions and to hold in safekeeping the equity portfolio of the Endowment Fund. The Bank of Canada was originally appointed to handle the Council's bonds and debentures, a function it performed without charge until 1959, when the debt portfolio was transferred to the Toronto General Trusts Corporation -- the private affiliate of the Canadian Imperial and Toronto-Dominion Banks.³⁶

The transition to the second period, 1960 to 1965, which involves a re-distribution of power within the Committee to the Bank of Montreal interests which had previously been partially excluded, also exhibits the beneficial syndrome previously noted in the case of Towers. The redistribution was occasioned by the elevation of Vanier to the Governor-Generalship (succeeding Vincent Massey), and the deaths in 1960 of Claxton and Muir. Muir, the deceased President of the Royal Bank, was replaced with G. Arnold Hart, President and Chief Executive Officer of the Bank of Montreal. Appointed to the Investment Committee in 1960, by 1962 Hart had joined the Boards of the two private, Calvin Bullock operated investment funds of which his fellow Committee member, Towers, was Chairman.³⁷

Claxton's successor as ex officio member of the Investment Committee was Claude T. Bissell, President of the University of Toronto. A forty-five year old career academic, he was appointed only to complete Claxton's original five-year term.³⁸ The

appointment of Bissell, a man whose expertise was confined to academia and who brought no discernible economic or kinship connections to the Chairmanship of the Council, suggests that the Conservative Cabinet mistook the philanthropic face of the Council for its corporate heart. Of all the Cabinet appointments to the Investment Committee between 1957 and 1972, Bissell alone came virtually naked to the Committee, and left it equally disadvantaged.³⁹

Bissell's truncated term expired in April, 1962. He was not re-appointed. Instead, the Conservative Cabinet reached into the regular membership of the Council for his successor and appointed the Maritime stockbroker-promoter, Col. Douglas Black Weldon as Chairman of the Council and ex officio member of the Committee. Weldon had married into two important state-connected financial families, and was himself the Chairman of Midland Securities Corporation.⁴⁰ However, by the time his original Council term expired in 1964 the Liberals had regained power. He was not re-appointed.

That the Bissell and Weldon appointments represent wasted opportunities on the part of Diefenbaker seems to be demonstrated by the result of the designation from within the Council at about the same time of Marcel Faribault to replace Vanier. Faribault, who had married into a state-connected Quebec family, was President of the General Trust of Canada and Director of a string of other Quebec-based corporations when his fellow Council members designated him to the Investment Committee in 1961. His appointment to the Council had been followed by his elevation to the Presidency of the Sherbrooke Trust Company; his designation to the Committee occurred in the same

year that he joined the Board of the Banque Canadienne Nationale, parent bank of the General Trust. By the end of his second term in 1966 he had added at least one multi-national and a number of significant national corporations to his board memberships, besides increasing his list of provincial directorships. In short, he had become a Canadian finance capitalist.⁴¹

Possibly the same Conservative misconception is responsible for the highlighting, if not the actual development of the under-capitalization anomaly. For, it was from a Council whose Investment Committee was controlled by Diefenbaker appointees that the request went to the new Pearson regime for an additional \$30 million for the Endowment Fund. The composition of the Committee is summarized in Tables V and VII (pages 75 and 81 respectively). At that point the Committee consisted of Towers and Hungerford of the rearguard group, and Hart, Weldon and Faribault symbolizing the Bank of Montreal and ethnic redistributions.

The formal channel for the request for additional capital was of course, the Canada Council, rather than as might be logically expected, the Investment Committee. The request was presented to the Government in March, 1964. Its most immediate result seems to have been a Liberal house-cleaning of the Council itself. Weldon's term expired on May 17, 1964; he was not re-appointed. His Vice-Chairman, Gérard Filion, resigned on the same date, one year before the end of his first term, to be succeeded by Dr. J. Frank Leddy. Leddy had been one of St. Laurent's charter appointments, and had himself been non-renewed by the Diefenbaker Cabinet. All four

TABLE VII

MAJOR INTERESTS, CANADA COUNCIL INVESTMENT COMMITTEE

1960 - 1965

Appointment	Interests on appointment:	
	Social	Economic
Bissell, <u>ex officio</u> , 1960 - 1962	--	--
Hart, tenured, 1960 - 1969	--	Bank of Montreal (P); CPR; Cominco; Consolidated Paper Corp.; Stelco; Canadian Cannery; Sun Life Assce.; Bowater Power.
Weldon, <u>ex officio</u> , 1962 - 1964	m. Black/ Wood	Midland Securities (C); Middlesex Properties (P); Goderich Elevator (VP); Emco Ltd. (VP); John Labatt Ltd.; London & Midland Ins.; Northern Life Assce.; Supertest Petroleum; University of Western Ontario (VC).
Faribault, designated, 1961 - 1966	m. Masson	General Trust of Canada (P); Sherbrooke Trust; Canit Constr. (Quebec); La Prévoyance; Caisse Nat. d'Economie; Rougier Inc.; Cie. d'Assce. Canadienne Mercantile; Cie. d'Assce. Generale de Commerce; Canadian Arena Co., Candiac Dev't.
Martineau, <u>ex officio</u> , 1964 - 1969	s. Hon. P. G. Martineau	Electrolier Corp., Royal Trust

Council members whose first, Diefenbaker-appointed terms expired in 1964 were non-renewed.⁴² Of their four successors, three were to be re-appointed in 1967.

The effect on the Investment Committee, however, seems to have been minimal. Jean Martineau, a Quebec lawyer with state connections, became the ex officio member of the Committee -- within the year he had joined the Board of Hart's affiliate, Royal Trust.⁴³ Although Martineau accumulated three additional Directorships during his five-year term, by 1972 he had failed to add to them further -- a fact indicating the importance of his term as a member of the Committee.

In the spring of 1965 the decision was made to begin the direct subsidy of the Canada Council as a distributive mechanism, and to reject (temporarily, it was suggested)⁴⁴ the request for additional investment capital. Meanwhile, the redistribution of power within the Investment Committee continued with the appointment in the fall of 1965 of Louis Hébert to the tenured position vacated by Graham Towers. Table VIII (page 83 below) illustrates the third phase of development, from 1965 to 1969.

With only a high-school education, and lacking evident connections, Hébert began his career with the Banque Canadienne Nationale in 1925 and became its President in 1964. The following year he joined his fellow BCN Director, Faribault, on the Investment Committee, and by 1970 he had added mining, textile and construction supplies to his previously purely financial interests. Since his resignation from the Committee, however, he has apparently failed to

TABLE VIII
 MAJOR INTERESTS, CANADA COUNCIL INVESTMENT COMMITTEE

1965 - 1969

Appointment	Interests on appointment:	
	Social	Economic
Hébert tenured, 1965 - 1969	--	Banque Canadienne Nationale (P); Sun Life Assce.; RoyNat Ltd.
Moore, designated, 1966 - 1968	--	Imperial Oil (VP); Montreal Trust; Interprovincial Pipe Line.
Moore, tenured, 1968 -	--	Imperial Oil (VP); Montreal Trust; Interprovincial Pipe Line.
Hicks, designated, 1968 - 1969	Premier, Nova Scotia	--
Prentice, <u>ex officio</u> , 1969 -	Bloch-Bauer/ Bentley	Canadian Forest Products (P); Canfor Ltd. (P); North Canadian Forest Inds. (P); West Coast Woollen Mills (VP); Bank of Montreal; Intercontinental Pulp; Prince George Pulp
Slater, designated, 1969 - 1970	--	York University (P); Bank of Canada.

increase the list.

Although Hébert replaced the Chairman of the Committee, the chair itself reverted to John Hungerford, the bank capitalist and last remaining member of the St. Laurent rearguard. Hébert's 1965 appointment marks the height of representation of the French fact. It also marks the beginning of the third period, for in 1966 Faribault was replaced as designate by the first explicitly comprador Council member to reach the Investment Committee since Claxton. This was Trevor F. Moore, who had originally been appointed to the Council by Diefenbaker in 1962, and re-appointed by Pearson in 1965. The following year his fellow Council members designated him to replace Faribault on the Committee

On March 31, 1968, Moore abruptly resigned his post on the Council; the following day he replaced John G. Hungerford as tenured Chairman of the Investment Committee.⁴⁵ Six days later, Pierre Elliott Trudeau became leader of the Liberal Party, replacing Pearson.⁴⁶

The designation of Moore to the Committee in 1966 represents both the assertion of western regional staples interests, and the reassertion of Rockefeller influence which had been lacking since the death of Claxton in 1960. For, Moore's long-time career had been as Vice-President of the Rockefeller's Standard Oil subsidiary, Imperial Oil Co. Ltd. His promotion to the chair of the Investment Committee was followed in 1969 by two more promotions: to Senior Vice-President of Imperial Oil, and to the Board of the Canadian Imperial Bank of Commerce.⁴⁷

With over 15,000 employees at last report, and refineries

spanning the country from Dartmouth in the East to Ioco in the West, Imperial Oil is the largest fully-integrated oil enterprise in Canada. It also fits well into the staples framework, since although its two largest refineries are at Montreal and Sarnia, the oil and gas fields from which it draws its raw materials are almost entirely concentrated in the three Western provinces. Imperial is currently developing and exploring along the Arctic coast, the Mackenzie Delta and offshore in the Atlantic region.⁴⁸ It also has significant connections with C. D. Howe's "industrial revolution": in 1942 one of its subsidiaries undertook the operation of part of the new Crown corporation, Polymer, at Sarnia. Although this operating agreement was terminated in 1946, "the major portion of materials from which the synthetic rubber is manufactured is still furnished by Imperial."⁴⁹

About 70% of the outstanding stock of Imperial Oil is held by the Standard Oil Company of New Jersey (now Exxon Corporation), a corporation created in 1882 as part of a share exchange with the trustees of the Standard Oil Trust.⁵⁰ And according to Lundberg:

"Rockefeller family control of the giant Standard Oil flotilla is unchallenged and unchallengeable. Foundation-held stock helps insure it in perpetuity. No possible combination of financial interests under existing law could dislodge that control."⁵¹

The appointment of Trevor Moore to the chair of the Investment Committee in 1968 therefore represents a significant break in the former pattern of financial control. This break was re-inforced in 1969 when Jean Martineau's term expired and the new Trudeau government appointed John G. Prentice to the Chairmanship of the Canada Council. Immigrants from Europe in 1938, the Prentice family,

in conjunction with its fellow refugees, the Bentleys, created the independent, vertically integrated, B.C.-based Canadian Forest Products Ltd., complex during and after World War II. Although Prentice's interests in the productive sphere are still limited to the two Western provinces, by the time of his appointment to the Council he also rated a place on the Board of the Bank of Montreal.

Thus, in early 1970 the Investment Committee, with a capitalization of \$76,482,570 at its disposal, consisted of Trevor Moore (Imperial Oil, Canadian Imperial Bank of Commerce), Frank Elliott Case -- replacing Louis Hébert -- (President of Montreal Trust, Imperial Life Assurance), John G. Prentice (Canadian Forest Products, Bank of Montreal), and David W. Slater (York University and the Bank of Canada). In the fifteen years since its formation, the Committee had moved from apparent domination by representatives of the federal government (Towers, Claxton and Vanier), through control by more independent metropolitan bank and finance capitalists (for example: Hart, Hébert and Hungerford), to a re-distribution of authority to regionally-based staples capitalists (Moore and Prentice). Table IX (page 87 below) illustrates the current situation.

Discussion

Two points arise immediately from the above history. One is that the Rockefeller influence, which was probably involved in the original decision to create the Council, and which was "represented" by the first Chairman of the Council, is now "represented" most directly by the Chairman of the Investment Committee. The other, related point

TABLE IX

MAJOR INTERESTS, CANADA COUNCIL INVESTMENT COMMITTEE

1969 - 1972

Appointment	Interests on appointment:	
	Social	Economic
Case, tenured, 1970 -	--	Montreal Trust (P); Imperial Life Assce.; Macdonald Tobacco; The Price Co.
Godfrey, designated, 1970 -	s. J. M. Godfrey	Campbell, Godfrey & Lewtas (pntr); United Accumulative Fund (P); Montreal Trust; Canadian Admiral Corp.
Primeau, tenured, 1971 -	--	Provincial Bank of Canada (VP); Crown Life Ins.; James Bay Dev't Corp.; Conseil du Patronat (Gov); Canadian Bankers Assn. (VP).

is that the history seems to explain the observed increasing domination of the Committee by representatives from the purely private, financial sector. Quite simply, appointment to the Investment Committee operates in the economic interests of these representatives. The cases of Muir, Hungerford and Towers, Martineau and Moore offer at least circumstantial evidence that Cabinet appointment to the Investment Committee is often rapidly followed by promotions in the strictly private sector.

Additional circumstantial evidence in favour of the hypothesis of the motivation of economic self-interest can also be found by studying the changes in the Endowment Fund's (and latterly the so-called "Special Funds") holdings of equities in which tenured and ex officio members of the Investment Committee had a direct primary interest. In eight cases out of the total of twelve between 1957 and 1972 the Fund held no such equities during the terms of the respective members. In the other four cases, however, the equity holdings of the Funds increased by substantial amounts during the terms of the members. During Hart's term (1960 to 1969) the Funds' holdings of Bank of Montreal shares went from zero to 54,000 shares. During Hébert's term (1965 to 1970), the Funds' holdings of Banque Canadienne shares went from 750 to 16,000 shares. During Case's (uncompleted) term (1970 to 1972,) the Funds' holdings of Montreal Trust shares went from zero to 23,500. At the beginning of Moore's (uncompleted) term as Chairman of the Committee, the Funds held 11,350 shares of Imperial Oil and 8,150 shares of Canadian Imperial Bank of Commerce. Three years later, the holdings had risen

to 39,000 shares and 30,000 shares respectively. In no case involving such situations was there a net decrease in holdings during the term of an Investment Committee member.⁵²

On the other hand, it might be argued that the distribution of appointments indicates that the Cabinet has taken pains over the years to make the Committee roughly representative of Canadian political economy, on a regional and structural basis. A study of the Investment Committee in the light of the dialectic of capital and staples proposed earlier, however, raises doubts about the validity of this kind of "representative" model. A graphic summary of the history (based on Tables V and VII to IX) is presented in Table X (page 90 below).

Table X covers only the tenured and ex officio members of the Investment Committee, since only they derive their positions directly from the Cabinet. The table checks off their social and economic roles at the time of their respective appointment to the Committee, and illustrates its domination by finance capital. The late arrival of the staples interests, and the waning of the kinship and state-connected group can also be seen.

However, Table X is not weighted for length of service nor for the relative importance of the members' various roles. When these factors are included, additional results emerge. By concentrating only on the major career role of each member (as defined by the standard sources), and showing the length of time served on the Committee, a picture of a predominantly financial group, completely lacking primary interests in manufacturing, emerges. Evidently this is a

TABLE X

SUMMARY,

INVESTMENT COMMITTEE INTERESTS, 1957 - 1972
(tenured and ex officio members only)

<u>Name</u>	<u>Date</u> <u>Appt'd</u>	<u>U.S.</u> <u>Affiliate</u>	<u>Big 3</u> <u>Banks</u>	<u>Other</u> <u>Banks</u>	<u>Other</u> <u>Financial</u>	<u>Manufact</u>	<u>Staples</u> <u>Production</u>	<u>Dynastic</u> <u>or State</u>
Claxton ⁺	1957	*			*			*
Hungerford	1957				*			*
Muir	1957		*			*		
Towers	1957	*			*			*
Bissell ⁺	1960							
Hart	1960		*		*	*		
Weldon ⁺	1962				*	*		*
Martineau ⁺	1964				*	*		
Hébert	1965			*	*			
Moore	1968	*			*	*	*	
Prentice ⁺	1969		*			*	*	*
Case	1970				*	*	*	
Primeau	1971			*	*	*		
TOTALS		3	3	2	10	9	3	5

⁺ indicates ex officio appointment

TABLE XI
WEIGHTED SUMMARY OF
PRIMARY INVESTMENT COMMITTEE INTERESTS
(tenured and ex officio members only)
1957 - 1972

Year	U.S. Affiliate	Big 3 Banks	Other Banks	Other Financial	Manufact	Staples Prod'tn	Dynastic or State
1957	+	*		**			**+
1958	+	*		**			**+
1959	+	*		**			**+
1960	+	*		**			**+
1961		*		**			**
1962		*		**+			**+
1963		*		**+			**+
1964		*		**++			**++
1965		*	*	**+			**+
1966		*	*	**+			**+
1967		*	*	**+			**+
1968	*	*	*	**+		*	**+
1969	*	*	*	+		**+	**+
1970		*	*	*		+	+
1971		*	*	*		+	+
1972		*	*	*		+	+

* indicates a tenured appointment

+ indicates an ex officio appointment

TABLE XII
SUMMARY OF PRIMARY
INTERESTS OF MEMBERS OF THE
CANADA COUNCIL, 1957 - 1970

Year Appt'd	U.S. Affiliate	Big 3 Banks	Other Banks	Other Financial	Manufact	Staples Prod'tn	Dynastic or State
1957			*	*	*	*	* * * *
1958							
1959			*	*	+		* * *
1960						+	
1961				*			*
1962	*		*	*	+	*	* +
1963	+		+	*	+	*	* * +
1964							*
1965			*	*	+	+	*
1966	+				+	+	+
1967							+
1968						*	* * *
1969							
1970			*				*

* indicates initial appointment

+ indicates re-appointment

The subject population of this table includes Canada Council members designated to the Investment Committee.

graphic representation of Naylor's thesis of "mercantilist" underdevelopment. Table XI displays this data (page 91).

As Table XI shows, the "big three" chartered banks have been continuously represented on the Investment Committee by men whose main structural role is bank control. Conversely, manufacturing is conspicuously unrepresented. These patterns are in marked contrast to those exhibited when the same methodological procedure is applied to the membership of the Canada Council proper. These results are exhibited in Table XII (page 92) which summarizes the social and economic data available on Council members for the year of their appointment and re-appointment only. (Since these appointments are for fixed terms, it is unnecessary to show the entire span of the service). As can be seen by comparing Tables XI and XII, the members of the Council "interlock" with the members of the Investment Committee in a manner strikingly reminiscent of a jig-saw puzzle.

A number of other aspects of the present thesis appear to receive support from Tables X through XII. The anomaly of undercapitalization, which was hesitatingly introduced in 1965 and intended to cover the years 1965 through 1968 can be seen in retrospect as marking a real watershed in the structure of the Committee. The creation of the anomaly correlates with a consolidation of the big financial interests, at the expense of kinship, state, and small financiers. And as I shall explain in the next chapter, it was also in the middle sixties that the Pearson Cabinet considered, and shelved indefinitely, Walter Gordon's proposal for a Canada Development Corporation. When it eventually emerged in 1971, the structure of the CDC resembled the Canada Council proper rather than the Investment

Committee, at least in terms of the social characteristics of its members.

The process of increasing consolidation and privatization which occurred in the Investment Committee is, I should think, considerably aided by the existence of the annual appropriation. The appropriation reduces the political visibility of the Endowment Fund as the latter becomes less and less significant in the financing of philanthropic distribution.

The continuing existence of the under-capitalization anomaly can thus be explained in part by this lack of political visibility, and the (assumed) reluctance of the government to raise thorny political problems. This is hardly satisfactory, however, as a complete explanation. For example, it begs the question: Why has the Investment Committee itself failed to raise the question of the anomaly as a means (say) of obtaining additional capital from the government? More important, why has the opposition (not to mention the Auditor General) apparently accepted the semi-secrecy surrounding the operations of the Endowment Fund? In 1957 Hamilton remarked prophetically:

"Mark this, the setting up of this amount as an endowment fund and its transfer to the Canada Council does not remove the fund from parliamentary control. Parliament is supreme, and it can change the terms and conditions of this legislation at any time. Parliament can, if it wishes take the fund back into its own possession.... But what the measure does do, and this is important, is to remove its operations in large measure from the detailed scrutiny of this body." 53

The complimentary part of the explanation must have to do with the utility of the present anomalous division of labour to those

involved. By about 1968 it appears that state control of the capital fund had significantly diminished from its initial level, while the purposes for which the Canada Council had ostensibly been created twelve years beforehand were being financed for the most part out of current taxation. The corollary of this diminution of state control and the operation of economic self-interest must, it seems to me, be the domination of the state by a peculiarly Canadian financial class.

The Investment Committee's Support Personnel

The same process of the privatization of control of the Endowment Fund can be observed through the careers of the Investment Committee's supporting personnel.

The first Treasurer of the Council transferred his career from the public to the private sector in 1962 without losing control of his role as investment counsellor. In 1966 his partner became a Director of the Rockefeller-controlled International Trust Company; less than a year later the consulting firm, Fullerton, Mackenzie and Associates, was itself sold to International, which had in the meantime set up a series of investment funds in Canada.⁵⁴ Fullerton, the ex-Treasurer, became Chairman of the Cape Breton Development Corporation;⁵⁵ his partner Mackenzie became President of the Rockefeller operation.

Thus in early 1968 the Council had to appoint a new investment consultant. The one chosen was Bolton, Tremblay & Co., a

firm already closely linked to a well-established Canadian investment fund called Beaubran Corporation, with assets of nearly \$19 million.⁵⁶ By August of 1968 the Council's new consultant had incorporated a new investment fund, the Bolton, Tremblay Fund Ltd.⁵⁷ It seems possible that the choice of the Beaubran affiliate to service the Endowment Fund was dictated by the presence of Louis Hébert on the Investment Committee; the President of Beaubran was also the Chairman of the trust company affiliated to Hébert's Banque Canadienne Nationale.⁵⁸

In 1970 control of Bolton, Tremblay & Co., was sold to an aggressive Quebec holding company, St. Lawrence Diversified Company. Although in appearance a transfer to another Quebec-based group of investment funds, it seems likely that this sale of the Council's investment consultant repeats the development of comprador links first seen in the case of Fullerton, Mackenzie and Associates. This time, however, the direct link is to a Canadian dynasty with national interests which interlock the Bank of Montreal and the Royal Bank groups, and international interests which appear to include both British and American holdings.⁵⁹ Once again, it seems clear that the Council's investment consultants have developed international connections, although in the latter case the relationship seems to reflect greater metropolitan Canadian control. The changes which have taken place at this level therefore seem to involve only the first three of the four main periods; government control, then re-distribution -- financial and ethnic.

The Bureaucracy

Very little data is available in the standard reference works on the Canada Council's supporting bureaucracy. The following section must therefore be regarded as somewhat speculative, although in the light of the evidence from American counterparts of the Council, not merely idle speculation.

Once again the major historical periods seem to be partially reflected in the Council's chief bureaucratic appointments. The first Director was born in the United States, educated in Canada, Great Britain and the U.S.A., married a Maritimer, and was both a university president and a Commissioner of the National Film Board prior to his appointment to the Council post. His successor was born in Quebec and was educated there, but also married a Maritimer.⁶⁰ Thus far the usual pattern is reproduced.

The third Director, who succeeded to the post in 1969, represents a break with the expected pattern. Unlike his predecessors, Peter Dwyer is not listed in the standard sources. He was originally hired in early 1958 as Supervisor of the Arts Programme, from which post he gradually climbed to head the entire bureaucratic apparatus of the Council. His original appointment is noted in the Council's Annual Report as follows:

"In April, 1958, Mr. Peter Dwyer was added to the staff as Supervisor of the Arts Programme. The increased volume of applications from both individuals and organizations representing the arts, and his own experience and qualifications in the field have fully justified the appointment of this senior officer." ⁶¹

Later reports indicate that Dwyer was extremely successful in his roles at the Canada Council. Nevertheless, his "experience and qualifications" remain a mystery. For, during the previous fifteen years, Dwyer had been working first for the British and then for the Canadian intelligence service.

According to Kim Philby, the Russian double agent who took over from Dwyer at the British Embassy in Washington, it was Dwyer who was responsible for the detection of Klaus Fuchs. Philby's description of the general setting is one of liaison with the CIA and the FBI. He also notes:

"In addition, I had to work in with the Royal Canadian Mounted Police, and with individuals in the Department of External Affairs who were dickering with the idea of setting up an independent Canadian secret service." ⁶²

The Embassy Security Officer was "Bobby Mackenzie" (later better known as Sir Robert Mackenzie), while Dwyer's opposite numbers in the CIA were Jim Angleton and Frank Wisner. According to Philby, one of the latter's favourite themes was "... the need for camouflaging the source of secret funds supplied to apparently respectable bodies..."⁶³ According to another writer, Wisner was responsible for the "...covert support of the non-Communist political left around the world -- trade unions, political parties, and international organizations of students and journalists."⁶⁴

Although Philby claims that Dwyer emigrated to Canada for "personal" reasons,⁶⁵ another source notes that he worked for the National Research Council and the Privy Council's security panel before joining the Canada Council, while another writer has claimed that

Dwyer actually drafted the Act setting up the Council.⁶⁶

In the light of these facts, two other aspects of the structure of the Canada Council seem to take on added significance. The first is its connection with the Department of External Affairs through the National Commission for Unesco. This connection begins with the appointment of Archibald A. Day, an officer with the Department, as Secretary of the Massey Commission, and continues into the sixties with the appointment of Douglas V. LePan to the Council in 1964. LePan had joined the Canadian Embassy in Washington in 1951 -- that is, in the period in which British suspicions about Philby were taking shape.⁶⁷ LePan's Council membership was renewed in 1967.

The National Commission for Unesco appears to take a special interest in Asian affairs. Its Associate Secretary toured Southeast Asia in 1959, and five years later joined the World Bank. His replacement had worked for the Colombo Plan Administration.⁶⁸ The first President of the National Commission, Dr. N. A. M. MacKenzie, who had been a continuing delegate to the conferences of the Institute of Pacific Relations in the thirties, was also a Massey Commission member. His charter appointment to the Canada Council was renewed in 1960. In 1966 he was appointed by the Council as a Member-at-Large to the Commission.⁶⁹

The second aspect of the Council's structure which may have added significance in the light of Dwyer's clandestine⁷⁰ career is a long-standing connection with Canada's atomic energy programme.

This connection began with a meeting in December 1957 between the President of the National Research Council, Dr. E. W. R. Steacie, and the Canada Council. Dr. Steacie had been Deputy Director of the U.K. - Canada Atomic Energy Project in 1945, and was to be the Canadian representative to the NATO Science Committee in 1958.⁷¹ Dr. C. J. Mackenzie, President of the Atomic Energy Control Board, was present at the same meeting. In 1963 Mackenzie was appointed to the Canada Council, where he joined Dr. J. W. T. Spinks. Dr. Spinks had worked on the Canadian Atomic Bomb project at Chalk River in 1944 and 1945, and was a member of the National Research Council and the Defence Research Board.

The significance of the appointments of Mackenzie and Spinks is highlighted by their mutual connection with the University of Saskatchewan. Mackenzie was a professor of engineering there for twenty years before World War II; Spinks became President of the university in 1959. Spanning these periods at Saskatoon is the presence of Dr. J. Frank Leddy, charter member of the Canada Council, President of the National Commission for Unesco (succeeding Dr. N. A. M. MacKenzie), and Dean of Arts and Sciences at the University of Saskatchewan. As I noted above (page 80), it was Leddy who was recalled by the Pearson Cabinet to become Vice-President of the Council after the house-cleaning in 1964. The maiden name of Dr. Leddy's mother was Teresa Frances Dwyer.

From these facts I think it is reasonable to suggest that the creators of the Canada Council may well have visualized it not

only as an aid to national unity, but as an instrument of the Cold War with particular reference to counter-espionage in the area of atomic energy, and also perhaps as an information-gathering mechanism in Asia. Evidently Dwyer's position in the upper levels of the bureaucracy would have enabled him to arrange for the "covert support" of organizations favoured by the Council (or possibly by the Cabinet); however, there is practically no indication in the sociology of the Council that this was his practice.⁷²

The Council Members

As indicated in Table IV (page 69), some biographical or economic data was found on 45 past or current members of the Canada Council. Of this 45, ten have already been dealt with, as designates to or ex officio members of the Investment Committee, while a further fifteen must now be temporarily excluded from consideration for lack of information on their economic interests.

Four groups are distinguishable within the remaining 20 Council members: businessmen, politicians, academics and women. Only the latter group spans the entire period under discussion; the others appear to taper off in the middle sixties. This pattern is of course consistent with my proposal that the development of the capitalization anomaly was reflected in the social composition of the Council, for I am here considering an "economic" population. Obviously, as the economic role of the Council itself changed from 1965 onward, appointments to it would be increasingly differentiated from appointments to the Investment Committee. Presumably the

continuing appointment of women with financial interests occurred because they are themselves the currency of alliances -- their social role is of greater significance than their individual interests.

The five females from the "economic" population are, as mentioned above, distributed throughout the history of the Council. Neither of the two charter members were re-appointed, although one of them had apparent dynastic connections with the state. Possibly their non-renewal is attributable to their disengagement from associations with economically significant husbands during their first terms; more likely the change of government is responsible. Later Liberal governments appointed Miss Kathleen Richardson in 1964, and re-appointed her in 1967,⁷³ then Mrs. Pauline McGibbon in 1968 (wife of the Treasurer of Imperial Oil Ltd.), and Dr. Aileen Dansken Ross in 1969.

All of the last three female appointees seem to have dynastic attributes of varying importance. Mrs. Pauline Emily Mills McGibbon married into a complex Montreal dynasty which also probably has historical links with the Stairs family.⁷⁴ Dr. Aileen Dansken Ross has kinship links with numerous centres of establishment power in the financial, industrial and academic realms,⁷⁵ besides being a prestigious academic in her own right -- in the latter role she was a member of the Canadian delegation to Unesco in 1958, and has been the President of the Shastri Indo-Canadian Institute. Finally, although no conclusive evidence could be obtained, Kathleen Richardson may be the spinster sister of the present Liberal Cabinet Minister, Hon. James A. Richardson, heir to the giant Winnipeg commodity and security dealership.⁷⁶

The remaining academics have already been mentioned in connection with the Council's bureaucracy (page 97 et. seq.) with the exception of Dr. G. Edward Hall, appointed by the Diefenbaker administration in 1960. During his terms as a member of the Council, Dr. Hall also acquired directorships in IBM Canada Ltd., and Labatt Industries Ltd.⁷⁷ Dr. C. J. Mackenzie was already a Director of three Canadian affiliates of Celanese Corporation of America when he joined the Council in 1963; during his second term he dropped them in favour of membership on the Ottawa board of the Canada Permanent Trust.⁷⁸ Dr. N. A. M. MacKenzie occupied a similar position in Vancouver in addition to his Board membership in the Bank of Nova Scotia, but in this case the economic appointments followed the expiry of the Council membership.⁷⁹

Only three men from the "economic" group presently being considered seem also to have significant political characteristics. One was a special wartime assistant to Mackenzie King; he was appointed in 1957 and renewed in 1959.⁸⁰ The Conservatives appointed a minor political figure who was in addition a Director of a local trust company in 1962. He was non-renewed. In 1965 a Vice-President of the National Liberal Federation was appointed by Pearson.⁸¹ Thus the political appointments appear to span only the early part of the Council's history.

Similarly, the purely business appointments seem to end in the mid-sixties. Charter members included Sam Bronfman of the Distillers-Seagrams chain, Eric Harvie of Canadian Imperial Bank

(who married into the Southam dynasty), and Mr. E. P. Taylor, then President of Argus Corporation. The Conservatives added an important state-connected Newfoundland dynasty in 1959, and added a member of the equally well-connected Simard clan in 1962, thus beginning the second phase of the redistribution.⁸²

Another redistributive appointment in 1962 was that of Sam Steinberg, President of Steinberg's Ltd., the Quebec-based retailers. By the following year Steinberg had added a directorship of Montreal Trust Company; by 1965, when he was re-appointed, Canadian Petrofina was included in his interests; by the time his second term expired his corporation's Treasurer, H. Arnold Steinberg, had become a Director of the Rockefeller-controlled Mercantile Bank of Canada.⁸³

The business appointments ended in the mid-sixties with James Stuart Keate (appointed 1963, re-appointed 1966), and Claude Robillard (appointed 1966). Keate's parents and parents-in-law were all U.S. immigrants; he himself has long-standing connections with FP Publications Ltd.⁸⁴ Robillard, who was Assistant Transit Controller for C. D. Howe in 1944, and later Director of Planning for Expo '67, had links with both American and British interests during his term with the Council.

There remain 15 Council members on whom biographical but not economic information is available. Only one of these is a woman. Of the 14 males, 9 are academics while the remainder have artistic, religious, martial or political backgrounds. The careers of the

academics emphasize economics and political science, combined with state affiliations in research and production. The only representative of a university west of Winnipeg is, however, Dr. J. W. T. Spinks, a natural scientist (see page 100 above).

Finally, there are 24 Council members on whom no data other than that available in the Council's Annual Reports seems to be available. Exactly two-thirds of these are males, while of the eight females only one appears to be a spinster.⁸⁵ An evaluation of the family names of the 24 suggests that exactly half are French-Canadian; most of the remainder appear to be of Anglo-Saxon origin. There are two academics and two religious figures; the latter apparently both Catholics. Of the 19 who have been eligible for re-appointment, six (or 32%) have in fact been renewed, a figure which corresponds closely with that for the entire membership.

FOOTNOTES

- 1 On the protean uses of foundations, see Lundberg, op. cit., pp. 472 et seq. In Who Rules America? Domhoff emphasizes the importance of "seed money" from foundations in creating "implicit values", op. cit., p. 71; a somewhat similar approach is taken by Bill Livant in "The Shark Scouts the Sardine: the Canadian Studies Boom in the U.S.", mimeo., October, 1971. The accumulation of corporate control by three American banks through their role as trustees of pension funds is described by Charles Leinenweber in "The Great American Pension Machine," Ramparts, 10:29-36, June, 1972. The importance of continuity in corporate control is implicitly evident in the description by Nielsen of the Max C. Fleischmann Foundation. Nielsen describes this foundation as an "oddity" because, by the terms of the bequest, it must be completely liquidated within 20 years of the death of the wife of the testator. See Nielsen, The Big Foundations, op. cit., pp. 250 - 254.
- 2 See Chapter Three, p. 52 - 53 above.
- 3 Professor Arthur K. Davis has pointed out to me that the distributive mechanism itself can probably also be understood in terms of the "law of uneven development". Personal letter, October 3, 1973.
- 4 Karl Marx and Frederick Engels, The German Ideology, Part One, esp. pp. 42. C. J. Arthur, ed. (New York, International Publishers Co., Inc., 1970.)
- 5 See Dawson, op. cit., pp. 241 - 247; Mullington, op. cit., p. 30.
- 6 Canada Council Act, op. cit., s. 5.
- 7 ibid., s. 18.
- 8 ibid., s. 19. (1)
- 9 ibid., s. 18. (2).
- 10 Tenure is defined here as "appointment without term."
- 11 The remarkable tenure enjoyed by the appointees to the Investment Committee may be compared with the situation of the officers of the other so-called "unclassified Crown corporations." The Governor of the Bank of Canada is appointed for 7 years, renewable, during good behaviour. Bank of Canada Act, R.S., c. 13. The Commissioners of the Canadian Wheat Board are tenured, but may be removed "for cause" and are disqualified when they reach the age of 70. Canadian Wheat Board Act, R.S. c. 44. The Board of the Industrial Development Bank is essentially coterminous with that of the Bank of Canada, so that the same conditions of tenure apply. Industrial

Development Bank Act, R.S., c. 151. On the same topic, see Dawson, op. cit., p. 245, who notes that security of tenure is the best gauge of independence, and who cites a ten-year term, and removal by Act of Parliament as the limiting case.

12 Canada Council Act, op. cit., s. 18. (2)

13 Although my general model attempts to avoid a definition of the upper class in terms of the specific institutions it has created, as a first approximation Domhoff's procedure will serve. He says: "...the social upper class can be defined as people who are listed in certain social registers and blue books...These blue books, schools, and clubs can be used as social indicators...." The Higher Circles, op. cit., p. 32.

14 Earlier Annual Reports of the Canada Council give details of personnel changes for the appropriate year.

15 Porter, op. cit., p. 412, points out that Canada has a political elite "...of substantially middle class origins...Neither the corporate elite, nor the very wealthy, have much to fear from middle class politicians. It is more likely that the politicians hold the corporate elite in awe. It would certainly seem that these middle class men are dependent on the corporate world to keep their political parties in funds."

16 The list excluded members of adjudicating committees who advised the Council on the disbursement of grants, and members of subsidiary organizations such as the National Commission for UNESCO (except in cases where such members were also members of the Council proper).

17 The structures of the various investment funds connected with the members of the Investment Committee seems to have been particularly dynamic during the period under review.

18 The structure of corporate Boards seems to be a hierarchy in descending order of authority as follows: President and Chairman; Executive Committee; Directors; non-Board officers. Such offices as Vice-President, Treasurer and Secretary may or may not carry Board membership with them.

19 Tepperman, op. cit., p. 128. On p. 121 Tepperman himself accepts a model which states that "...the probability of eminence... is inversely correlated with the number of links in a chain connecting that person and the illustrious kinsman. The smallest chain has only one link, and is the relationship between a father and son...."

- 20 Defining a dynasty as a family which has maintained continual prominence over 5 generations or 150 years, Tepperman does not exclude from consideration families which may have lost their recorded prominence for one generation, only to regain it in succeeding generations. Tepperman, op. cit. p. 126. In fact, the Stairs dynasty seems to have two branches descending from Hon. W. J. Stairs, MLC., b. c1820. One branch was headed in the nineteen-sixties by John Fitzwilliam Stairs, a partner in Senecal and Stairs, advocates of Montreal, while the other was headed in the early nineteen-fifties by Cyril W. Stairs, President of William Stairs Son & Morrow Ltd., (the family firm in Halifax), who married the daughter of Hon. Mr. Justice Arthur Drysdale. By the late nineteen-sixties, Cyril had been succeeded by his son Arthur Drysdale Stairs as President of the firm.
- 21 "By the time he joined the King Ministry, Howe had built grain elevators, docks, bridges and factories in Canada to a contract value of more than one hundred million dollars.... His last major engineering assignment before going into politics was to design the great wheat terminals which line the waterfront at Buenos Aires." Roberts, op. cit., p. 20. As early as 1920 Howe is listed as a Director of Kamistiqua Pulp and Paper Co. Ltd., and United Paper Products Co. Ltd.
- 22 According to Roberts, op. cit., pp. 182 - 183, citing George Drew in the Commons debate on the 1951 Defence Production Act.
- 23 Park, op. cit., chart, p. 102.
- 24 ibid., Table IV, p. 244.
- 25 Canadian Investment Fund Ltd. was formed in 1932 as the first open-end investment company in Canada. In 1962 it had assets of over \$145 million. Its sister fund, Canadian Fund, Inc., was formed in 1952 as the original American mutual fund specializing in Canadian securities. Its assets in 1961 exceeded \$42 million. The Investment Supervisor of both funds is Calvin Bullock, Ltd., New York, (Hugh Bullock, chm., and chief executive officer). Calvin Bullock also supervises Bullock Fund, Ltd., Dividend Shares, Inc., and Nationwide Securities Co. Inc., See Investment Companies, 1972, 32nd Annual Edition, (New York, Wisesenberger Services, Inc.), and Financial Post Survey of Investment Funds, 1972. See also Park, op. cit., pp. 86, 90 - 91.
- 26 The Council's first reaction to the "new principle in the method of financing" was: "The Council is aware of the possible implications of this method, but is completely confident that its independence will not be interfered with...."

C.C., VIII, 1964 - 65, p. 2. The implications for the Endowment Fund were not discussed.

- 27 According to Nathan Cohen "The officials and members of the Canada Council were appointed by Louis St. Laurent personally." Telegram, April 26, 1958, p. 5.
- 28 Because the original members of the Council were given staggered terms based on an alphabetical list of their surnames, Vanier's initial appointment was for four years.
- 29 However, according to Park, op. cit., p. 61, Vanier had been a Director of the Bank of Montreal and Standard Life Assurance Company prior to his elevation. His official biographer merely records that as a result of his elevation in 1959, Vanier "... resigned his directorships and his seat on the Canada Council, where he had been very useful on the Investment Committee...." Robert Speaight, Vanier: Soldier, Diplomat and Governor General; A Biography, (Toronto, Collins, 1970), p. 370.
- 30 Speaight, op. cit., pp. 179 - 181
- 31 In 1968 when he resigned from the Investment Committee, Hungerford had merely become Chairman of the National Trust Company and a Vice-President of Canada Life Insurance.
- 32 Said to be descended from Hon. John Richardson "... one of the founders of the Bank of Montreal...", Towers married Mary Scott Godfrey, daughter of the President of The Canada Accident and Fire Assurance Company and Vice-President of Montreal Steel Works, in 1924 while still in the employ of the Royal Bank of Canada. See Canadian Who's Who, 1936 - 37, (Toronto, Murray Printing Co. Ltd., 1936).
- 33 Financial Post Directory of Directors, 1959. He was also Chairman of Canadian Fund, Inc., and British Petroleum Co. of Canada Ltd.
- 34 See note 25 above.
- 35 Towers was already a Director of CIF when he was appointed to chair the Investment Committee in 1957. He was still listed as Chairman of the two private funds in 1972, although he resigned from the Committee in 1965.
- 36 See C.C., I - III, 1958 - 60, pp. 33, 46 and 53 respectively for details of the safekeeping arrangements.

- 37 Hart's appointment to the Investment Committee is first listed in Who's Who in Canada, 1960-61, (Toronto, International Press, 1961): the Fund Directorships are first listed in the following edition.
- 38 According to Hamilton, op. cit., the reason such appointments are not made for new full terms is that this would disrupt the original staggered pattern. However, this seems not to have been regarded as a problem in the cases of mere Council members such as Faribault (who replaced Vanier and served two full terms) and Wardell (who replaced Lady Dunn and served one full term).
- 39 By 1972, however, Bissell was listed as a Director of Confederation Life Insurance Co., and The General Accident Assurance Co. of Canada. Financial Post Directory of Directors, 1972.
- 40 Col. Weldon married Margaret Black in 1923. Her father had been successively an MLA, Mayor of Sackville, and a Senator, and went on to become President of the New Brunswick Telephone Co. Ltd., and a Director of the Maritime Trust Company. Her maternal grandfather had been an MP (1882 - 1895), Lieutenant-Governor of New Brunswick, and an agent of the Halifax Banking Company -- a role, incidentally, which had also been filled by his father.
- 41 Faribault married Marguerite, daughter of A. Henri Masson, in 1938. Her grandfather, an MP (1867 - 1882) and Sir John A. Macdonald's Minister of Militia (1878 - 1880), had studied law with Sir George-Etienne Cartier. A member of the Select Commons Committee on the first Riel Rebellion, he was Lieutenant-Governor of Quebec from 1883 to 1887 and a Senator in 1882 and 1890. His first wife was the oldest daughter of Lt. Col. Alexander Mackenzie, and it was this line from which Marguerite Faribault was descended.
- By 1966 Faribault's interests included Bell Telephone Co. of Canada, Banque Canadienne Nationale, Dominion Textile Co. Ltd., The Montreal Cottons Ltd., IBM Canada, and Tétrault Shoe Ltd.
- 42 See C.C., VII, 1963 - 64, p. 1; C.C., VIII, 1964 - 65, p. 30.
- 43 The Canada Council appointment is first listed in Who's Who in Canada, 1964 - 65, (Toronto, International Press, 1965); the Royal Trust appointment appears first in Canadian Who's Who, 1964-66, (Toronto, Trans-Canada Press, 1966).
Martineau was the son of a Quebec judge whose law

partners were intimately connected with the provincial and federal state. One of them, Jetté, married the daughter of an MP, was a Liberal MP himself before becoming a Judge, following which he became Lieutenant-Governor of Quebec in 1898. Another, Beique, was Mayor of Dorion before becoming a Senator. A third, Mercier, became Premier of Quebec, only to be dismissed in 1891 as a result of the investigations of a Royal Commission chaired by the first partner, and despite the fact that he was represented by Beique. During his term as Lieutenant-Governor, Jetté (the first partner) went so far as to unveil a statue of Wolfe in Quebec. See Gustavus Myers, A History of Canadian Wealth, (Toronto, James Lewis & Samuel, 1972), pp. 330 - 332; Bergeron, A History of Quebec, op. cit., pp. 154 - 156; and Canadian Men and Women of the Time, 1912, op. cit.

- 44 C.C., VIII, 1964 - 65, p. 1; quotes a Pearson remark that as a long-term method, the Cabinet favoured increasing the Endowment Fund because this would protect the independence of the Council.
- 45 Born in England in 1905, Moore attended University of Toronto Schools, and obtained a B.A. from University of Toronto in 1928. He was appointed to the Council in 1962, was renewed and designated to the Investment Committee in 1965 and 1966 respectively, and appointed Chairman of the Committee in 1968.
- 46 Canadian Who's Who, 1970-72, (Toronto, Who's Who Canadian Publications, 1969).
- 47 C.f., Financial Post Directory of Directors, 1968, with the listing in the 1969 edition.
- 48 Financial Post Corporation Service, card, September 5, 1972.
- 49 ibid.
- 50 ibid., and Moody's Industrial Manual, 1973, p. 754.
- 51 Lundberg, The Rich and the Super-Rich, op. cit., p. 475.
- 52 Comparative data on the members of the Canada Council proper reveals only three similar situations out of a possible sixteen cases. The similar cases involve Samuel Bronfman (1957 - 1962); Mrs. Pauline McGibbon (1968 - 1971); and Samuel Steinberg (1962 - 1968), and increases of 2,600 shares of Distillers-Seagrams, 5,000 shares of Imperial Oil, and \$38,000 of 7% 1985 bonds of Steinberg Shopping Centre.

- 53 William M. Hamilton, Commons Debates, February 6, 1957, p. 1286.
- 54 International Trust Company was incorporated in 1963, and is currently 100% owned by First National City Corporation, which also controls First National City Bank (Citibank). James S. Rockefeller and R. P. MacFadden, who met with Finance Minister Walter Gordon July 19, 1963, over the Mercantile Bank affair, were respectively Chairman and Director of the Trust Company. See Dave Godfrey, ed., with Mel Watkins, Gordon to Watkins to You, (Toronto, New Press, 1970), pp. 26 - 43.
- 55 See Financial Post Directory of Directors, 1968, and ibid., 1969. Cape Breton Development Corporation was set up as a Crown corporation in 1967; R.S.C. 1970, c. C-13. Fullerton is currently Chairman of the National Capital Commission (a Schedule C Crown Corporation), according to Sandra Gwynn. See "The Canada Council as an Endangered Species," Maclean's, 85:28, December, 1972.
- 56 Financial Post Survey of Investment Funds, 1968.
- 57 The Fund actually began operations in March, 1969. In 1970 it had assets of about \$1 million. See Financial Post Survey of Investment Funds, 1972.
- 58 Gerald G. Ryan was President of Beaubran Corporation and Chairman of General Trust of Canada. George M. Bourke was a Vice-President of Beaubran and President of Bolton, Tremblay & Co.; while Paul A. Bienvenue was a Director of Beaubran, Vice-President of Bolton, Tremblay & Co., and a Director of Bank of Montreal, Molson Industries, Ogilvie Flour Mills and Royal Exchange Assurance. Bolton, Tremblay & Co., was founded in 1946 by Hamilton Bolton and Maurice Tremblay. Tremblay had worked for Banque Canadienne Nationale from 1914 to 1925; was head of the French Sales Department of Wood Gundy & Co. Ltd., from 1925 to 1946 and married an American-Canadian woman in 1939.
- 59 In 1972 the President of St. Lawrence Diversified was Lorne C. Webster, who was also a Director of the Bank of Montreal and numerous investment and property development companies. His father, Colin Wesley Webster, President of Canadian Imports Ltd., and Chairman of International Paints (Canada) Ltd. is also a Director of the Royal Bank of Canada, Sun Life Assurance, Massey-Ferguson, Hawker Siddeley, Dominion Textile, etc., etc. His uncle, R. Howard Webster, is President of Imperial Trust Co., Chairman of the Globe and Mail Ltd., and a Director of F.P. Publications. His uncle by marriage, Eliot S. Frosst, is a Director of Canada

Permanent Trust Company; another uncle by marriage is a Director of Guardian Trust Company. Finally, his grandfather was a Senator.

Two other Directors of St. Lawrence Diversified should be mentioned: Leon Simard and G. H. Garneau. Simard is President of Simcor Inc., his cousin Claude is the Quebec Minister for Industry and Commerce. Their grandfather married a Tremblay. Garneau is President of J. R. Timmins & Co., Inc., the Montreal investment dealers. According to Park (op. cit., pp. 201 - 218), Timmins has longstanding connections with James Dunn's old partners, C. D. Howe, and Hanna Mining.

60 The first Director, Dr. Albert W. Trueman, and his brother, Howard L. Trueman, both married Maritimers. Albert was successively a member of the Board of the CBC, President of the University of Manitoba, President of the University of New Brunswick, and a Commissioner of the National Film Board before being appointed to the Council's bureaucracy. In 1967 he became the Chancellor of the University of Western Ontario. His brother had a long career in the bureaucracy of the Department of Agriculture, and also became Chairman of the Ryerson Press.

The second Director was Jean Boucher, appointed to the post in 1965.

61 C.C., II, 1958 - 59, p. 6 (emphasis added).

62 Kim Philby, My Silent War, (New York, Grove Press, Inc., 1968), p. 190.

63 ibid., pp. 193 - 194.

64 R. Harris Smith, OSS: The Secret History of America's First Central Intelligence Agency, (Berkeley, University of California Press, 1972), p. 368.

65 "For personal reasons, he had long wanted to settle in Canada, where a congenial government post was awaiting him. The news of my posting to Washington had simply determined the timing of his northward move to Ottawa." Philby, op. cit., p. 189.

66 Gwynn, "The Canada Council as an Endangered Species," op. cit., p. 28; and Mr. Heath Macquarrie, Canada Commons Official Report of Debates, (Ottawa, Queen's Printer, 1972), p. 2498, citing the Ottawa Citizen.

- 67 Philby, op. cit., pp. 261 - 262. According to the Financial Post, Day himself was a Temporary Advisor to the Council in its early months. See Financial Post, May 4, 1957, p. 3. LePan had previously worked for External Affairs in London and Ottawa; he was Director of Research for the Gordon Commission (1955 - 58), then Assistant Under-Secretary of State for External Affairs (1958 - 59).
- 68 Respectively Mr. Lewis Perinbam and Mr. David W. Bartlett. See C.C., III, 1959 - 60, p. 52; C.C., V, 1961 - 62, pp. 45 - 46; C.C., VIII, 1964 - 65, p. 23.
- 69 Dr. N. A. M. MacKenzie was born in Nova Scotia in 1894; educated at Dalhousie, Harvard, Cambridge and Gray's Inn; became President of University of New Brunswick in 1940; Chairman of the Wartime Information Board in 1943; President of the University of British Columbia in 1944; member of the Massey Commission in 1949; and a Trustee of the Carnegie Foundation for the Advancement of Teaching in 1951.
- 70 "Dwyer was reluctant to discuss his career in the secret service and, until the publication of Philby's book in 1968, his colleagues with the Canada Council were not aware of his background." The Vancouver Sun, January 2, 1973, p. 30.
- 71 Dr. Steacie was born in Quebec in 1900; educated at McGill, Frankfurt, Leipzig and London; married Dorothy C. Day; and became President of NRC in 1952.
- 72 One possible indication consists of the fact that Mrs. Pauline McGibbon was a founding Director of Canadian Scene, an ethnic news service, in 1951. Canadian Scene was initiated by Mrs. Barbara B. Osler with the aid of funds and logistic support from Abitibi, Massey-Ferguson, Imperial Oil, Eaton's and Simpson's. According to Mrs. Osler, "... Canadian Scene was originated because [sic] of the concern for the Communist approach to the newcomers to Canada, and we hoped to counteract this by giving the newcomer unbiased material about Canada, to enable him to sift the truth from the false...Our finances are looked after for us by a Treasurer loaned to us by a large company and the books are kept there and the bills are paid from there." Proceedings of the Special Senate Committee on Mass Media, (Second Session, Twenty-eighth Parliament, 1969 - 70), 18:29 - 31. Another, current member of the Corporation of Canadian Scene is Mrs. Kenneth LeM. Carter, widow of the author of the 1960 tax recommendations, who was himself a researcher for the Canada Council. See C.C., IV, 1960 - 61, pp. 22, 132 ff.

See also Philip Resnick "The Politics of the Canada Council", Canadian Forum, 49:50, June 1969, for a note on Dwyer's mediation activities. Interestingly enough, during his term as Chairman of the Canada Council, Col. Weldon's Midland Securities Corporation merged with another dealership to become Midland-Osler Securities Ltd., (see page 79 above).

73 The inclusion of Miss Richardson in the "economic" population is based on the assumption outlined in the following paragraph; her re-appointment in 1967 seems to support this assumption.

74 In 1924 Gilbert Sutherland Stairs, who later became Claxton's partner (page 51 above), was an advocate with the firm of McGibbon, Mitchell, Casgrain, McDougall and Stairs in Montreal; a firm which was apparently founded by Robert Davidson McGibbon in the previous century. See Who's Who in Canada, 1923 - 24 (Toronto, International Press, 1924); and Canadian Men and Women of the Time, 1898, (Toronto, William Briggs, 1898).

75 Grand-daughter of a Belfast-born, Glasgow-educated Montreal chartered accountant, Dr. Ross' uncles included an Editor and Proprietor of the Ottawa Journal, a Director of Crown Trust Company, and the former private accountant to James Ross (the constructor of the CPR west of Winnipeg who, according to Myers, op. cit., p. 334, n. 25, left a fortune of about \$7 million). By 1920, the last uncle was President of the Montreal Harbour Commission, Asbestos Corporation of Canada, and Beauharnois Electric, as well as holding a number of significant directorships including Canadian General Electric.

Dr. Ross' father, also an accountant, was Honorary Treasurer of McGill University in 1911. Her younger brother Howard, a former Chancellor of McGill and ex-member of the Board of Sir George Williams University, was Dean of the McGill Faculty of Management and a Partner in Touche, Ross, Bailey and Smart, and on the Advisory Board of Queen's University School of Business.

Dr. Ross' nephew is currently a Director of the Macmillan-Bloedel subsidiary, R. Laidlaw Lumber Co. Ltd. Dr. Ross was recently an Executive Member of the McGill Centres for Developing Area Studies and French Canadian Studies.

- 76 Who's Who in Canada, 1964 - 65, (Toronto, International Press, 1965) lists the children of James A. and Muriel S. Richardson, who married in 1919, as James A., George T., Mrs. W. M. Benidickson and Kathleen Margaret. Before becoming Minister of Supply and Services (thus emulating Howe), and Minister of Defence (thus emulating Claxton) James A. Richardson (junior) interlocked both major banking groups, with membership on the Boards of the CPR, International Nickel, Canadian Imperial Bank of Commerce, Hudson's Bay Co., and Royal Trust Company. His father had held the same positions, with the exception of the trust company directorship.
- 77 Dr. Hall was President of the University of Western Ontario from 1947, and a member of NRC from 1951 to 1957. In 1937 he married a New Yorker.
- 78 The affiliates were Celgar, Columbia Cellulose, and Chemcell.
- 79 Dr. MacKenzie was made a Senator in the late sixties.
- 80 Mr. L. W. Brockington was born in Wales, studied law with Lougheed, Bennett & Co., in Calgary (where he was preceded by Max Aitken), was the first Chairman of the CBC, and a wartime advisor to the British Minister of Information, 1942 - 43. In 1965 he was Counsel for B.O.A.C., and a Director of Boeing of Canada Ltd., and The Globe and Mail Ltd.
- 81 The Conservative appointee was Mr. D. Park Jamieson. The Liberal appointee was Mr. Wilfred P. Gregory, President of British Mortgage and Trust Company, of which his father was Chairman. In September, 1965, British Mortgage merged with Victoria and Grey Trust Company, whose President was Hon. Walter Harris, formerly St. Laurent's Minister of Finance. See Financial Post Directory of Directors, 1965.
- 82 For details of the Argus complex, see Park, op. cit., especially pp. 250 - 254. E. P. Taylor's maternal grandfather was "banker and capitalist" Charles Magee, who was born in Ontario in 1840. After apparently making money in drygoods at an early age, in 1876 Magee "... associated himself with the late Robt. Blackburn and the late Chas. Maclaren, in acquiring the whole of the vacant lands within the city of Ottawa, owned by the By estate." The three then proceeded with "... the laying out of and its re-sale, now the centre of the City of Ottawa." See Canadian Men and Women of the Time, 1898, op. cit., and Who's Who and Why, 1919-20, (Ottawa, International Press, 1912).

Magee was one of the organizers of the Bank of Ottawa, and later its President. Later still he was President of Union Trust Company and Director of the Northern Crown Bank. He employed his son-in-law, E. P. Taylor's father, in both banks. Only in his last years did the grandfather turn his attention to brewing, thus providing a niche from which his grandson scaled the heights.

Gerald Winter, appointed in 1959, is a member of a complex Newfoundland dynasty with state connections. His great-grandfather had been a customs inspector, his grand-uncle was a judge and Premier of the province; his grandfather was knighted in 1923 and was later President of Newfoundland Light and Power (one of Ike Killam's interests, of which Denis Stairs was President in 1959); his father was Chairman of the Power company in 1959; two of his uncles had been Speakers of the Provincial Assembly; and his older brother was Smallwood's Minister of Finance in 1949 when Newfoundland joined Confederation. In March, 1974, the Prime Minister announced that this brother, Gordon Arnaud Winter, would become Lieutenant-Governor of Newfoundland "...in late June or early July...." Vancouver Sun, March 22, 1974, p. 8.

Gérard Filion, appointed in 1962, was a Director of Le Devoir at that time as well as the Mayor of St. Bruno. The following year he was appointed President and General Manager of the new General Investment Corporation of Quebec, the provincial development corporation which "...acted more like a spendthrift than an economic developer." Drache, ed. Quebec -- Only the Beginning, op. cit., p. 268). Filion resigned his Council appointment in 1964; he still retains his Presidency of Marine Industries Ltd., and numerous other Simard interests. His mother was a Simard.

83 Samuel Steinberg filled a vacancy created not later than May 15, 1962. See C.C., VI, 1962 - 63, p. 39. He became a Director of Montreal Trust Company some time between February and June 1963, inclusive. Mr. Oram, Montreal Trust Company, Vancouver, personal communication, July 17, 1973.

H. Arnold Steinberg is first listed as a Director of Mercantile Bank of Canada in Financial Post Directory of Directors, 1968.

84 Keate was born in Vancouver in 1913, educated at the University of British Columbia, and became Bureau Chief of Time Magazine in Montreal in 1947. He was the publisher of the Victoria Times from 1950 to 1964, and became publisher of the Vancouver Sun in 1964. His parents were from Michigan.

He married Letha, youngest daughter of Hugo E. Meilicke, in 1939. Meilicke, the son of Senator Emile J. Meilicke of Minnesota, came to Canada in 1901 and established a lumber business in Saskatoon. By 1927, in co-operation with his younger brother Edward, he had branched out into publishing and the investment business. Neither brother apparently produced any male heirs. See Who's Who in Canada, 1927. (Toronto, International Press, 1927).

- 85 One of the married (or, more precisely, widowed) women is Lady Beaverbrook - formerly Lady Dunn. Although it seems unlikely that she has completely withdrawn from the economic sphere, there is no record of such a role in the current sources. Appointed in 1961, she resigned the following year prior to her marriage to the first Lord Beaverbrook, June 7, 1963. The vacancy was filled by Brigadier J. M. S. Wardell, who completed a full three-year term but was not renewed.

CHAPTER FIVE

THE CANADA DEVELOPMENT CORPORATION

Transition from Council to Corporation

In Chapter Four (page 86) I suggested that control of the Canada Council's Endowment Fund had rapidly passed from the federal government which created it, via a group of metropolitan bank capitalists, to the control of regionally based resource industrialists. Appointments since 1970 do not seem to have altered the latter situation significantly; however, the regional representation now includes Anglo financial and comprador representation and French-Canadian State interests.

Thus in 1970 the Trudeau administration appointed Frank Elliott Case¹ to the Investment Committee and the Council designated John Morrow Godfrey.² In 1971 they were balanced by the appointment of Raymond Primeau.³ Under the continuing Chairmanship of Trevor Moore (now retired from Imperial Oil but still a Director of Canadian Imperial Bank of Commerce), and with the ex officio membership of John Prentice (Chairman of Canadian Forest Products, Director of Bank of Montreal), the Investment Committee represents the dominant groups in the political economy of Canada.⁴

The microcosmic appearance of the Investment Committee involves the various phenomena dealt with in the previous chapter: the motivation of economic self-interest, the developing

privatization, and the loss of Cabinet control following the creation of the capitalization anomaly. In less than 15 years the Endowment Fund has been returned to the private sector.⁵

The development of proposals for a Canada Development Corporation coincided with the major re-orientation in the structure of the Canada Council. The idea of the Corporation was first mentioned in the new Liberal administration's initial throne speech in May, 1963, but was omitted from the speech in February, 1964. On March 3, 1964 the Council applied for an additional \$30 million for the Endowment Fund. Pearson announced the creation of the anomaly on March 19, 1965, and the throne speech of the following month again proposed the creation of the Development Corporation. The creation of the anomaly is thus intertwined with the proposal for the Corporation.⁶

Some evidence tending to support the suggestion that Spring 1965 was the crucial transitional period can be found in the tone of the reports in the Financial Post. In January, 1964 the paper noted that the "... pet project of Finance Minister Walter Gordon appears headed for oblivion...."⁷ By March of 1965 the paper thought it was "... almost a certain bet this year."⁸ In May of the same year the Financial Post was quoting the approving remarks of Maurice Strong, President of Power Corporation of Canada, who observed that "... the government seems to have bent over backwards to take a positive approach."⁹ The same article also contained some suggestions from Strong's Vice-President, H.A. Hampson, as to the corporations which might be repatriated by the proposed new organization.¹⁰ In December, 1971, Hampson was appointed first

Chairman of the Board of the Canada Development Corporation.

On the basis of these chronological factors, it therefore seems possible that the development of the proposal for the Corporation occurred as the Council's Endowment Fund became more and more privatized. The progressive loss of Cabinet control over the Fund apparently led to increasing concern with what may be regarded as a more advanced alternative vehicle, the Canada Development Corporation. The remaining question is therefore whether or not the Corporation is in fact a more advanced model than the Endowment Fund or, in terms of the major hypothesis of this thesis, whether the Council is prototypical of the Corporation or a functionally independent structure. Although of course chronologically prior, the Council and the Corporation may be structurally parallel.

Legal Structure of the Corporation

The Canada Development Corporation Act was given royal assent June 30, 1971.¹¹ Save for the fact that it was created and funded by the government, its structure was that of a normal commercial corporation; indeed, the Act stipulated that the Corporation was neither an agent of Her Majesty nor a Crown corporation.¹² So far, however, it has been completely dependent on the Cabinet for the appointment of its 18 Directors and for its initial capitalization of \$250 million.¹³

The internal structure of the Corporation consists of a President, one or more Vice-Presidents, a Chairman, a Vice-Chairman,

and an Executive Committee elected from within the Board of Directors.¹⁴ Although the Act contains complex provisions for the sale of shares to the public, this has not yet taken place; hence the Board also includes the Deputy Ministers of Finance and Industry, Trade and Commerce. The Deputy Ministers sit ex officio and are non-voting.¹⁵

The Corporation is thus similar to the Canada Council in a number of ways. Neither organization is a Crown corporation.¹⁶ Both are staffed entirely by means of Orders-in-Council. Their initial capitalizations are of the same order of magnitude. On the other hand, the Corporation does not exhibit the overlapping structure of a separate Investment Committee (unless the government nominees can be considered in this way), nor is it legally subject to parliamentary control in the way in which the Council nominally is. Similarly, the Corporation will appoint its own auditors, and remunerate its own Directors.

It therefore appears that the Corporation is even further removed from Commons control than the Canada Council. However, although it has the potential to remove itself to a significant extent from Cabinet control (by means of the sale of its shares to the public), it has yet to exercise this option. I therefore conclude that, as with the Council at its inception, the Corporation is a creature of the Federal Cabinet. In the latter case, however, it may be that the relationship is slightly more independent because of the differing internal structure of the Corporation.

The major similarity between the two organizations is of course their creation as institutions of "state finance capital." In the case of the Council, the Endowment Fund appears to have been operated in much the same way as any investment fund in the private sector. The Corporation, on the other hand, definitely represents a modernization of this theme, in the form of a state-created "multi-national corporation" or conglomerate. For, in 1972 it "purchased" a Crown corporation, Polymer, from the federal government for about \$67 million, besides making other, smaller investments. In 1973 the Corporation made a successful offer of about \$290 million for a 35% share of the American corporation Texasgulf Inc.¹⁷

These transactions virtually exhaust the Corporation's initial capitalization. After two years of operation it therefore stands at a point which the Canada Council took eight years to reach -- the stage at which increased capitalization becomes necessary. If the Corporation "goes public" it will cease to be an institution of state finance capital and become explicitly a part of the private sector, thus following the implicit example of the Endowment Fund. In such a case, state finance capital will be seen to be merely a transitory phenomenon, leading to a regressive¹⁸ privatization.

Given the legal structure of the Corporation, and the explicit provisions in the Act covering the sale of shares to the public and the limitation of direct government participation, it might be predicted that the transition to explicitly private finance capital will shortly occur. Any prediction in this area

is dependent on the intentions of the present provisional Board of the Corporation, a subject which forms the next section.

Sociology of the Corporation

Created in 1971, the history of the Canada Development Corporation is too short for accurate identification of the influential members of its Board on the basis of length of service. I will therefore assume that the nominal executive officers are also the most influential from the point of view of the Corporation's internal structure. In the following section I will develop a secondary analysis of the remaining members of the Board, based on their apparent positions in the structure of Canadian political economy.

Three executive officers were appointed in December, 1971: H. Anthony Hampson (Chairman), Marshall A. Crowe (President), and Louis R. Desmarais (Vice-Chairman).¹⁹ Because more elaborate data is available on him, it is easiest to organize a discussion of the sociology of the Corporation around the career of Hampson, although biographical and economic data is available on all three officers.²⁰ Hampson personifies the successful combination of careers in both the public and private sectors -- at times simultaneously. Unlike Desmarais, whose career as a chartered accountant culminated in the Presidency of Canada Steamship Lines;²¹ and to a greater extent than Crowe, who spent only six years of his 25-year career outside government; Hampson has successfully bridged the gap between the bourgeoisie and the state.

TABLE XIII

SUMMARY OF PRIMARY INTERESTS,
MEMBERS OF THE CANADA DEVELOPMENT CORPORATION, 1971

<u>Name</u>	<u>U.S. Affiliate</u>	<u>Big 3 Banks</u>	<u>Other Banks</u>	<u>Other Financial</u>	<u>Manufact</u>	<u>Staples Prod'tn</u>	<u>Dynastic or State</u>	<u>Other</u>
Beaudoin					*			
Casgrain				*				
Cleyn					*			
Coté					*			
Crowe							*	
Desmarais				*				
Gallagher	*					*		
Grandy							*	
Hampson				*				
Hughes			*					
Kendall						*		
Maislin					*			
Martin					*			
McCain					*		**	
McGregor								*
Moore				*				
Moreau								*
Reisman							*	
Sellers								*
Sherman					*			
Thur					*			
Turvey					*			
Waters								*
TOTALS	1	-	1	4	11	2	5	4

Educated at McGill and Cambridge, Hampson joined the Bank of Montreal in 1952 as a credit analyst, but quickly moved into the federal Department of Finance. In 1955 he became a member of the full-time research staff of the Royal Commission on Canada's Economic Prospects -- the so-called Gordon Commission.²² When the Commission completed its work and handed in its report to the new Diefenbaker regime in 1957, Hampson moved back to the private sector to become Director of Research and Underwriting for the investment dealers, Burns Bros. & Denton. While still in this position, in 1961 he also became the Secretary of the Porter Commission on Banking and Finance. In 1964 he made a crucial move, to the Vice-Presidency of Power Corporation of Canada, an important and growing Canadian holding company. Finally, in 1971, Hampson was appointed Chairman of the Canada Development Corporation.

Hampson's activities at Power Corporation probably illustrate yet again the establishment of links with the Rockefeller interests. Not only does this duplicate the syndrome observed in the case of the Endowment Fund; it appears that the Canada Development Corporation has retained the link, through a Director of a Power Corporation subsidiary sold to First National City Bank in 1970. This man, Douglas N. Kendall, was Director of two investment funds managed by Hampson in the late sixties. When the Power Corporation/Warnock Hersey group sold the management operation to Citibank in 1970, Kendall stayed on as Director of one of the funds, Capital Dynamics Ltd., while Hampson became available for the

Chairmanship of the Canada Development Corporation. When the appointments to the provisional Board of the Corporation were announced in 1971, Kendall was among the appointees.²³

Joining Hampson as Vice-Chairman was Louis R. Desmarais, President and Chief Executive Officer of Canada Steamship Lines Ltd. More significantly, Desmarais' brother Paul is currently Chairman and Chief Executive of Power Corporation of Canada, in which he owns a controlling interest. In addition, Paul Desmarais personally controls a number of French language newspapers, including La Presse.²⁴

From the above data the conclusion cannot be avoided that the Canada Development Corporation presently represents a merger of the interests of the state and finance capital, in much the same way that the original Investment Committee of the Canada Council consisted of a merger of state and bank capital. For, representing the state as President of the Corporation is Marshall A. Crowe, Deputy Secretary to the Cabinet and "...an important financial advisor to Prime Minister Pierre Elliott Trudeau."²⁵ Finance capital is represented in this case by the \$3 billion assets of Power Corporation, thus paralleling the shift away from domination by the chartered bank complexes which took the Endowment fund ten years to achieve.²⁶ As indicated in the following section, this shift is repeated in the case of the remainder of the provisional Board.

Subsidiary Analysis of the Corporation

Various subsidiary analyses can be developed in support of the structure proposed above, while at the same time again providing the outline of a comparison with the operations of the Canada Council.

Once again, however, the comparability is marred by the Corporation's lack of history and different structure. The following discussion is therefore somewhat speculative.

As indicated in Table XIV (page 129 below), the data available on the first members of the Board of the Corporation is markedly more economic in character than that found on the average member of the Canada Council. Further, Board members do not exhibit the numerous dynastic connections which were found in the Council membership; certainly I have found none to match the Killam and Stairs lineages.

Another aspect of the reduced dynastic attributes of the Board can probably be seen in the absence of social connection with state power, connections which were quite marked in the case of the Council. Only two Board members seem to exhibit such ties: Pierre Côté married the daughter of a Quebec Judge, and H. H. McCain married the daughter of a Premier of New Brunswick.²⁷

In general, then, there are indications that the Board members are upwardly-mobile rather than established, at least as regards their social status. Given the Corporation's lack of history, I have been unable to investigate the role of appointment to its Board in securing additional Directorships for the appointee, a process which appears to operate in the case of the Endowment Fund. There is, however, some secondary evidence suggesting that a similar process will develop within the Corporation.²⁸

TABLE XIV

COMPARATIVE AVAILABILITY OF DATA,
MEMBERS OF THE CANADA COUNCIL AND
THE CANADA DEVELOPMENT CORPORATION

Group	Period	Total Population	Data (%)		
			<u>Economic</u>	<u>Biographical</u>	<u>Either</u>
Canada Council *	1957-70	69	30 (44%)	45 (65%)	45 (65%)
Canada Development Corporation	1971**	23	19 (82%)	15 (65%)	20 (87%)

* From Table V, (page 75 above).

** As listed by the Financial Post, December 4, 1971, p. 8; that is, the original, provisional Board membership.

The status of the average Board member of the Canada Development Corporation seems to be lower than that of the members of the Investment Committee, although the pattern of distribution of interests across the economic structure is similar. Two exceptions to this lower status should be noted however -- Frank H. Sherman and John H. Moore.

Sherman's career marks him as originally an industrial capitalist. He rose from the Armaments Department of Dominion Foundries and Steel Ltd., of Hamilton in 1939 to become the President of the company in 1959. By 1971, he also rated a Directorship in Bank of Nova Scotia, Crown Life Insurance, and the Investors Group of mutual funds (to name only the major interests).

More important in the context of the present thesis is the biography of J. H. Moore, who is President and Chief Executive Officer of Brascan Ltd., the \$1.4 billion Canadian conglomerate whose operations are concentrated in Brazil. Brascan represents a link with James Dunn and Beaverbrook, both historically and in terms of the continuing Canadian penetration of Latin America.²⁹

Born in Ontario in 1915, J. H. Moore was educated at the Royal Military College. In 1950 he became a Partner in Clarkson, Gordon & Co., the family firm of Walter Gordon, a fellow alumnus of RMC and concurrently a Partner.³⁰ In 1953 Moore left the accounting firm to join John Labatt Ltd., as Treasurer; by 1958 he was its President.

At the time of his appointment as a provisional Director of the Canada Development Corporation, Moore's secondary

Directorships included Canadian Imperial Bank of Commerce, Bell Canada, Cadillac Development Corporation, BP Canada Ltd., and the Hudson's Bay Company. This grouping is interesting for two reasons. First, reference to Table VI (page 77 above) illustrates a certain similarity between the interests of the first Chairman of the Canada Council's Investment Committee in 1959 and Moore's interests in 1971.³¹ In both cases it is the imperially-connected corporations which appear: Bell, BP, and the Bay. (By 1972 Towers had dropped from all three boards). Moore's interests also seem to be significant because they provide the potential for the creation of a bloc of Directors within the Board of the Corporation whose interests overlap his.

This potential bloc of support within the Board of the Corporation consists of four provisional Directors: Livia Thur, who is also a Director of Bell Canada; Hugh A. Martin, who is also a Director of the Canadian Pacific subsidiary, CP Air; Louis Desmarais, whose brother Paul is a Director of Brascan; and J. N. Turvey, Martin's Partner in Western Construction and Engineering Research Ltd.,³² The same group interlocks with three important federal policy-making organizations: the Economic Council of Canada (Martin), the Science Council of Canada (Thur), and the Standards Council of Canada (Turvey).

Combining the evidence from the careers of the Executive Officers of Canada Development Corporation with the details adduced for J. H. Moore leads to the tentative suggestion that the centre of power within the Canada Development Corporation consists

of an alliance between Power Corporation of Canada and Brascan. No conflicts need arise between these two because, although they are both holding companies, the first operates primarily in Canada, while the second is mainly interested in Brazil. Presiding over this alliance is Marshall Crowe, whose experience in the private sector is limited to work as an Economic Advisor to Brascan's bankers (Canadian Imperial Bank of Commerce, 1961 - 67), and Chairing it is H. Anthony Hampson, the former Power Corporation executive. Correlating with the division of labour between the two holding companies are the careers of these two appointees: Crowe's career is founded on 15 years in the Department of External Affairs; Hampson's federal roles have been with commissions on Canada's economic prospects, banking and finance.

A further point should be made with regard to the Board of the Canada Development Corporation. Judging by its membership, it is unlikely to reverse the trend towards regional disparity within Canada. Its centre of gravity is the Ontario-Quebec axis -- recent disputes over the location of its Head Office,³³ and its major bid for control of Texasgulf (whose operations are located mainly in Ontario),³⁴ underline this situation. In this respect the Council and the Corporation begins with similar structures -- the Corporation has yet to go through the "regional" aspect of the "redistribution."

Thus, while the primary, internal data on the executive officers of the Corporation indicates a merger between the state and Power Corporation, the secondary, external data on the rest of

the provisional Board indicates a similar merger between the state and Brascan. There are therefore clear grounds for summarizing the whole situation as a case of State Finance Capital; a situation which, given the apparent stranglehold of the two giant holding companies, seems likely to prove even more transitory than was the case with the Council's Endowment Fund.

Council - Corporation Links

There are a number of social and economic links of varying importance and directness between the Council and the Corporation, beginning before the creation of either with the formation of the Royal Commission on Canada's Economic Prospects in 1955. At this point the connections were being created at a relatively low, bureaucratic level; only in the light of subsequent developments can the continuities be easily observed. For example, the Secretary and Director of Research for the 1955 Gordon Commission was D. V. LePan, who, ten years later, was appointed to the Canada Council and whose membership was renewed in 1967. Counsel to the Commission was J. B. Claxton. Presumably, this is in fact John Brooke Claxton, only surviving son of the future first Chairman of the Canada Council. Among the 19 members of the Commission's full-time research staff was D. W. Slater; in 1969 - 70 he was for a short time the Canada Council's designate to the Investment Committee.³⁵

Of greater significance for this thesis, however, is the apparent creation in 1955 of a rather direct link between Douglas H. Fullerton, who two years later became the Canada Council's

investment consultant, and H. Anthony Hampson, who became Chairman of the Canada Development Corporation in 1971. Fullerton was one of the four Assistant Directors of Research;³⁶ Hampson was on the full-time research staff. Indicating a close working relationship between the two men is the fact that they co-authored a study of secondary manufacturing for the Commission.³⁷

Given this early connection, the subsequent careers of the two men may take on added significance. When Fullerton joined the Council's financial staff, Hampson joined an investment dealer (page 126 above), thus creating a potentially important link between the Council's Treasurer and the stock market. Hampson's transfer to Power Corporation in 1964 (following Fullerton's first "resignation" from the staff of the Council in 1962) need not have affected this situation; Hampson's special interest then became the management of the All-Canadian group of investment funds. Finally, at some time during the period 1968 through 1971, it seems that both Fullerton and Hampson sold off their respective investment management interests to Rockefeller-controlled organizations, and were quickly re-employed by the state.³⁸

Three other, more indirect links between the two institutions may be briefly summarized in conclusion. Perhaps the least indirect link is embodied by Livia Thur, one of the potential group around J. H. Moore (page 131 above), whose husband Otto Thur is a member of the Killam Committee of the Canada Council.³⁹ The duty of this special Committee is to distribute the income from the approximately \$12 million fund donated to the Council by Ike

Killam's widow.⁴⁰

A direct economic link between the Investment Committee and the Corporation is provided by the Provincial Bank of Canada; its Vice-President, Raymond Primeau, is a tenured appointee to the Committee; his fellow Director Rodolphe B. Casgrain, is on the Board of the Corporation. A similar structure links the Council itself with the Corporation via the Bank of Canada and its subsidiary, the Industrial Development Bank. Sol S. Reisman, Deputy Minister of Finance and ex officio a Director of the Corporation, and David W. Slater, President of York University and two-term member of the Council, are on the Boards of both banks.⁴¹ Finally, the Investment Committee is linked to the Brascan bloc within the Corporation: Trevor Moore, the Chairman of the Committee, and J. H. Moore, the President of Brascan, are both on the Board of the Canadian Imperial Bank of Commerce. The inevitable link with the Rockefeller interests is provided by J. P. Gallagher, a provisional Director of the Corporation and now a Director of Texasgulf Inc., (see page 158, n. 10).

In conclusion, there is an interesting but perhaps not especially important link which seems to span virtually the entire history of both the Council and the Corporation. In 1972 Art Phillips was elected Mayor of Vancouver on a slate which also included Geoff Massey, the nephew of the late Governor General. Phillips had been an associate of H. Anthony Hampson in the early sixties on the Board of the Power Corporation affiliate, Capital Management Ltd.⁴²

Ten years earlier, Geoff Massey had married Ruth Killam, the niece of Ike Killam (See Table II, page 44 above), thus becoming an uncle by marriage to Larry Killam, recently the aggressive real estate promotor of Vancouver's Gastown.⁴³ Such social and economic interlocks in combination seem to me to illustrate the fundamental processes by which the Canadian ruling class operates, even in 1974.⁴⁴

FOOTNOTES

- 1 Born in Montreal in 1910, Frank Elliott Case began his career with the Royal Bank of Canada in 1928, becoming its General Manager in 1964. In 1967 he became President and Chief Executive Officer of the Royal Bank's affiliate, Montreal Trust Company. In 1972 he was Chairman of Montreal Trust and a Director of Macdonald Tobacco, Imperial Life Assurance, and The Price Co. Ltd. Oddly enough, like Pierre Elliott Trudeau, Case's mother's maiden name was Grace Elliott. In addition, his second son is named Peter Elliott Case.
- 2 Born in Ontario in 1912 of Irish Methodist stock, John Morrow Godfrey was by 1970 a Director of Montreal Trust Company and Canadian Admiral Corporation, and President of the \$350 million United Accumulative Fund group of investment funds.
- 3 Born in Quebec in 1928, Raymond Primeau was educated at the University of Montreal, L'Ecole Polytechnic, the London School of Economics and the Montreal School of Higher Business. After a short stint with the Industrial Development Bank in 1958, he joined the Provincial Bank of Canada in 1959 and became its General Manager in 1967. By 1970 he was also a Vice-President of the bank, a Director of the James Bay Development Corporation and the Crown Life Insurance Co., and a Governor of the Conseil du Patronat.
- 4 Only the "Atlantic region" seems to be unrepresented in this microcosm. Even here, there may be a connection with the Stairs dynasty evidenced by the "Morrow" in John Morrow Godfrey -- the origins of the dynasty are located in the firm of William Stairs Son & Morrow Ltd., of Halifax.
- 5 See pages 73 - 86 above.
- 6 This chronological intertwining undoubtedly reflects the inter-twinings of the careers of Pearson and Gordon, whose friendship goes back to the middle thirties when they both worked on R. B. Bennett's Inquiry into Price Spreads and Mass Buying. See Gordon to Watkins to You, *op. cit.*, p. 15. According to a review of a recent biography of Gordon: "When Pearson hesitated for financial reasons to accept St. Laurent's offer of a Cabinet post, 'Gordon undertook at once to raise the funds for a modest annuity which would temper this source of hesitation.'" James Eayres, "The story of Walter and Mike," Saturday Night, 88:38, December, 1973, citing Gentle Patriot: A Political Biography of Walter Gordon, by Denis Smith.

- 7 Financial Post, January 25, 1964, pp. 1, 11.
- 8 Financial Post, March 27, 1965, p. 1.
- 9 Financial Post, May 1, 1965, p. 2.
- 10 ibid. International Nickel, and Steel Co. of Canada are mentioned.
- 11 Canada Development Corporation Act, 19-20 Elizabeth II, Ch. 49.
- 12 ibid., s. 31. C.f., the Canada Council Act, op. cit., s. 13.
- 13 Maximum government equity is \$250 million; the CDC has also obtained a federal loan of \$100 million.
- 14 Canada Development Corporation Act, s. 13.
- 15 ibid., s. 41.
- 16 See p. 53 above for my argument that the Canada Council is not a Crown corporation.
- 17 The original offer was for 10 million shares at \$29 per share. See the Vancouver Sun, July 25, 1973, p. 37. It resulted in the eventual purchase of 8,275,000 shares. See Vancouver Sun, October 11, 1973, p. 37. The bid has at least two striking features: it was not open to Canadian residents, although its success may lead to a serious reduction in the liquidity of Texasgulf shares; and it has been suggested that prior to making the bid, the CDC co-operated with Noranda Mines (a Canadian company) in acquiring some 2.5 per cent of the outstanding Texasgulf equity. Noranda was at the time a significant minority shareholder in Texasgulf. See Vancouver Sun, July 28, 1973, p. 25; August 8, 1973, p. 35. Three CDC Directors were later appointed to the Texasgulf Board; Hampson, Desmarais and Gallagher. See Vancouver Sun, December 6, 1973, p. 37.
- 18 I suggest that the transition from state finance capital to private corporation is regressive because to judge from the examples of the 'other major industrialized nations, the general development is towards greater state participation and support; for example, Rolls-Royce, Renault, and Amtrak.
- 19 The Financial Post, December 4, 1971, p. 8, announced the first Board of Directors of the Corporation. Hampson and Crowe later exchanged titles. See Vancouver Sun, May 23, 1973, p. 39.

- 20 An article by David Ablett, "CDC Head Follows Path to Power," Vancouver Sun, August 28, 1973, p. 23, confirms much of the following biographical information. Unfortunately, it ends on a confused and ungrammatical note regarding Hampson's recent activities; I have been unable to get Ablett to clear up this problem.
- 21 Once one of James Dunn's major interests. See Courage, op. cit., pp. 184 - 185.
- 22 According to Godfrey and Watkins, op. cit., p. 15, Walter Gordon's "...first major post-war service to the government was as Chairman of the Royal Commission on Canada's Economic Prospects in 1955 ... a commission whose mere setting up must have been an affront to the powerful C. D. Howe.... A preliminary report from Gordon was rejected by the Liberal hierarchy, just prior to their 1957 disastrous defeat. The final report was delivered to the Conservative government...."
- 23 Ablett, op. cit., implies ungrammatically that the management company was sold to Citibank. I have been unable to authenticate this information from other sources. On September 28, 1972 NDP leader David Lewis called for a judicial inquiry into allegations that "...one of the CDC directors, Douglas N. Kendall, is father of the president of a company in which the government corporation has invested \$4.5 million." See Canadian News Facts, Vol. 2, #17, October 4, 1972.
- 24 See Report of the Special Senate Committee on Mass Media, Vol. II (Ottawa, Queen's Printer for Canada, 1970), pp. 81 - 84, for a summary of the Desmarais and Power Corporation interests.
- 25 Ablett, op. cit.
- 26 Chapter Four, p. 84 - 85 above.
- 27 In 1950, Coté married Héléne, daughter of Judge Andre Taschereau. Taschereau is currently listed as a Professor of Corporation Law and a Governor of Laval University. See Canadian Who's Who, 1970 - 72, (Toronto, Who's Who Canadian Publications, 1969). McCain married Marion, daughter of J. B. McNair, in 1952. McNair, a Rhodes Scholar, was Attorney-General of New Brunswick in 1935 and Premier from 1940 to 1952.

- 28 All three civil servants appointed to the Board of the Corporation are listed for the first time in the 1972 edition of the Directory of Directors. Four appointees who can be characterized as "small businessmen" are also listed for the first time in 1972. The sole union leader among the Directors had been listed prior to appointment to the Corporation -- he was already a member of the Canadian Radio Television Commission.
- 29 Brascan was incorporated in 1912 as part of a process of amalgamation which included Rio de Janeiro Tramway, Light and Power -- one of James Dunn's London promotions (see pp. 43, 45 above). In 1966 the name of the company was changed from Brazilian Traction, Light and Power Company, Limited (whose bonds Max Aitken had been selling when he met John F. Stairs, as mention in pp. 43, 45 above), to Brazilian Light and Power Company, Limited. In 1969 the corporate title was again changed, to Brascan Limited.
- Although the bulk of its assets are located in Brazil, Brascan has a 32% interest in John Labatt Ltd., a 6% interest in the Hudson's Bay Company, and a 15% interest in Elf Oil Exploration & Production Canada Ltd. The latter was one of the companies involved in the Banks Island exploration in 1970.
- Brascan's bankers are currently listed as Canadian Imperial Bank of Commerce. In addition, Brascan has apparently been a major customer of the World Bank: "The total amount of the loan made by the bank to the company is approximately \$120,000,000. The entire loan is guaranteed by the United States of Brazil...." Financial Post Corporation Service, card, July 28, 1971.
- For further information on Brascan, see: the company's Annual Report, 1972; Last Post, 3:28-39, March, 1973; and Newsweek, August 20, 1973, p. 44. On Elf Oil, see Peter J. Usher, The Bankslanders: Economy and Ecology of a Frontier Trapping Community, 3 vols., (Ottawa, Information Canada, 1971).
- 30 Walter Gordon's father "... joined the Clarkson firm of accountants in the 1890's then left to found his own firm, and the two merged in 1913 to form Clarkson, Gordon and Company." Walter Gordon was a partner from 1935 to 1963. See Godfrey and Watkins, op. cit., pp. 14 - 15.
- 31 John H. Moore of the CDC is apparently quite unrelated to Trevor F. Moore, the concurrent Chairman of the Investment Committee. They are both, however, members of the Board of the Canadian Imperial Bank of Commerce. Financial Post Directory of Directors, 1971.

- 32 Born in Los Angeles in 1914 of Canadian parentage, Hugh A. Martin married the daughter of Gordon Farrell, President of B.C. Telephone Company, in 1938. Farrell's current interests (he is over 80 years of age) include the Chairmanship of Ocean Cement and Supplies, and Directorships in Macmillan, Bloedel Ltd., Canada Trust Company, and B.C. Packers.
- Martin was educated at Shawinigan Lake School, and is a former Campaign Chairman of the Federal Liberal Party. In 1968 he sold his controlling interest in Marwell Construction (one of the largest West Coast construction companies, which he had formed in 1936) to the Dillingham Corporation of Hawaii, and formed Western Construction and Engineering Research Ltd., in partnership with J. N. Turvey. Turvey is President and Martin a Director of Interprovincial Steel and Pipe Corporation Ltd., Regina.
- 33 Since October, 1972, there have been over 20 articles, editorials and news items in the Vancouver Sun regarding the delayed relocation of the Corporation's headquarters in Vancouver. Members of all three major parties have been vociferous in their complaints at the delay. See Vancouver Sun, October 27, 1972, p. 10; May 18, 1973, p. 5; September 18, 1973, p. 7; for complaints by Gordon Gibson, W. M. Hamilton, and Gary Lauk, respectively Liberal, Conservative and N.D.P. spokesmen.
- 34 Texasgulf, Inc., (formerly Texas Gulf Sulphur Co.), is the world's leading producer of elemental sulphur, used in the production of sulphite pulp, rubber, and sulphuric acid. Along with the operations in Australia, Mexico and Texas, Texasgulf has production facilities in Alberta. Between 1966 and 1970 the company acquired control of the Kidd Creek Mine at Timmins, Ontario, together with some 250,000 acres of timber in Ontario and Pennsylvania, at an apparent cost of about \$50 million. "The purchase included acquisition by Texas Gulf of the 10 per cent net-profits interest held by Royal Trust Co. as trustee of an estate." See Moody's Industrial Manual, 1972, p. 3178.
- 35 A list of the Members of the Staff of the Gordon Commission is given in Appendix D, p. 480 of the Final Report of the Royal Commission on Canada's Economic Prospects, (Ottawa, Queen's Printer, 1963). Among the Research Staff are the names J. D. Howe (possibly C. D. Howe's second son, John), and H. S. Gordon.
- 36 ibid., p. 480. A fellow Assistant Director of Research was S. S. Reisman, now ex officio a Director of the Canada Development Corporation. See note 41 below.
- 37 D. H. Fullerton and H. A. Hampson, Canadian Secondary Manufacturing Industry, (Canada, Royal Commission on Canada's Economic Prospects, 1957), cited in ibid., Appendix C, p. 478. This study forms a book of 274 pages.

- 38 See Chapter Four, page 95 above; and pp. 126 - 127 above.
- 39 Born in Hungary in 1928 and educated at Budapest and Louvain, Otto Thur married Livia M. Rechnitzer in Spain in 1955, while a researcher at Louvain. He has also taught at the University of Montreal and at Laval. He was a Consultant to the Quebec Ministry of Industry and Commerce from 1961 and 1968, during which period he also served as Economic Advisor to the Expo '67 Canadian Corporation. He is currently an Executive Member of the Social Science Research Council of Canada. Canadian Who's Who, 1970 - 72, op. cit. His wife Livia was a Vice-President Academic at the Universite du Quebec and a Director of Bell Canada when appointed to the Board of the Corporation in 1971. Financial Post Directory of Directors, 1971. See also page 131 above.
- 40 The income from the Killam Fund is used to provide research money for support "... in engineering, medicine and science." C.C., VI, 1962 - 63, p. 1. These disciplines appear to be outside the "Objects and powers" stipulated for the Council. See Canada Council Act, op. cit., s. 8, which limits its activities to the arts, humanities and social sciences.
- 41 As I noted above (p. 133 and p. 141, n. 36), both Slater and Reisman were staff members of the Gordon Commission.
- 42 Born in Montreal in 1930 and educated at the University of British Columbia, Arthur Phillips "...joined Capital Management Corp. Ltd., as Dir. and Invest. Analyst (participated in formation of All-Canadn. Funds), 1954; became Extve. Vice Pres., Capital Management Ltd. (successor firm) 1961;..." Canadian Who's Who, 1970 - 72, op. cit.
 In 1959 Capital Management already had links with Marwell Construction and the Mercantile Bank of Canada through its President, J.-W. Borrie. By 1965 a link with Power Corporation had been added with the presence of Hampson and Maurice Strong (President of Power) on the Management Board. By 1967 Management had added further important links, including the Royal Bank of Canada, Canadian Interurban Properties (3), RCA Victor, Bank of Montreal, the Defence Research Board, and the Science Council of Canada.
 The significance of Capital Management Ltd., (now apparently revamped as Capital Dynamics Management Ltd.), is as the investment manager for the \$100 million assets of the All-Canadian funds. Having built up this group in about 15 years, investment control was apparently transferred

to the United States by the very men who are now intimately involved with the Canada Development Corporation.

Sources: Financial Post Survey of Investment Funds, Moody's Bank & Finance Manual, Financial Post Directory of Directors, (various dates); Ablett, op. cit.

- 43 See Gary Bannerman, "A new face for an old town," in The Province, May 8, 1971, p. 5. According to this report, Killam's real estate firm owned six buildings in the area, valued at \$1.5 million. Half of this amount was equity of the firm which had cost it \$170,000. The next most significant Gastown property owner had only two buildings. See my unpublished paper "St. Gastown and the Burrard Inlet Waterfront Freeway Dragon," mimeo., November 26, 1971.
- 44 C.f., Porter, The Vertical Mosaic, op. cit., pp. 524 - 528, on the subject of "Kinship and Friendship."

CHAPTER SIX

CONCLUSION

Summary

There are two important general results of the present thesis. One of these concerns the continuing nature of the Canada Council; the other its development.

First of all, it has been shown that there is a real difference between the social structures of the Council qua Council and the Investment Committee. Although this difference is evident in the legal inter-relationship of the two bodies, the formal relationship correlates inversely with systematic differences in the type and importance of the material interests of the respective groups, as well as with their "real" social status, honour and prestige.¹

Secondly, the development of this structure since 1957 exhibits evidence not only of a real division of labour between the Investment Committee and its nominal supervisor, but also of the growing independence of the Committee from Council supervision and from Cabinet control.²

The anomaly of under-capitalization has thus been shown to be something more than simply a theoretical construct, since it points in the direction of these dynamic historical developments. Thus when attempting a comparison between the Canada Council and other

institutions, a distinction must always be made between the legal structure and the social structure. The evidence from the standard reference sources confirms my theoretical proposal that the heart of the Canada Council is the accumulation process rather than the philanthropic process. The Investment Committee is the material dog whose existence goes almost unnoticed because of the convulsive (not to say compulsive) wagging of its ideological tail, the Council.

Methodology

As detailed in Chapter Four above (pages 68 - 73) the results of this thesis are based on the fundamental assumptions guiding the research. One of these assumptions is socio-economic in character. I have called the other "anthropological" -- not because I have used anthropological research methods, but because the methods I have used have emphasized what I take to be anthropological variables --, relationships of blood, marriage and friendship.³

First, the socio-economic assumption. As must be clear from the preceding chapters, I have made the assumption that in the final analysis bourgeois institutions are controlled according to bourgeois legality; that is, by properly elected Boards of Directors. I agree with the Parks that:

"Managers can be hired -- and fired. And the ablest managers have not yet found a way to take control from the owners although from time to time a certain number of managers are brought into the controlling circle." ⁴

It follows from this that a man's presence on a particular Board of Directors can be taken as: (1) a strong indication that he has a direct economic interest, as an owner, in that corporation; (2) an indication that he represents the interests of another owner in the corporation; or (3) that he is a manager who has been "brought into the controlling circle." In many cases these three types can be differentiated empirically on the basis of other known corporate or lineage links, or the lack of them.

In the case of lineage structures, my assumption has been that conventional social relationships of blood, marriage and friendship have a similar significance to those more often ascribed to purely economic relationships. I think it probable that in a manner reminiscent of feudalism:

"... the family, indeed the extended family, or an even more extended family-and-friendship clique is the efficient operator in securing the status of its members...."⁵

I would argue that the productivity of this assumption has been demonstrated in the history of the Canada Council, for example in the emergence of the otherwise unsoughtfor Stairs dynasty as the common denominator linking many of the people involved in the history of the Canada Council. Perhaps, if the necessary information was available, the apparently bureaucratic (rather than feudal) character of the present administrators of the Canadian economy might even be called into question.

Despite these simplifying assumptions, however, the data I have used remains extremely complex. And this complexity in turn

causes difficulties in the exposition of the material. Nevertheless, I think acceptance of these difficulties, and continued attempts to overcome them, are preferable to the analytical fragmentation of the structure which is often seen as the alternative. Methodological fragmentation can lead to a perception of material fragmentation in cases where it does not necessarily exist.⁶ Surely what is needed is a method of describing and analysing the various inter-related structures of ruling class hegemony, not a fragmentation of the real structure in the interests of analysis.

State Finance Capital: Transitory and Regressive?

The major hypothesis of this thesis, as stated in the introductory chapter (pages 10 - 11, above), was that:

"...the anomaly exhibited by the capitalization of the Canada Council is a result of the utility of the Endowment Fund as a pool of development capital. The Council is thus a prototype of the Canada Development Corporation."

My present conclusion is that the first part of this hypothesis has been proved (although there may be some question about the use of the word "development" in this context), while the second part, although correct in the strict sense, has been shown to be inconsistent with the first part. The inconsistency arises, of course, from the fact that the Investment Committee is socially differentiated from the Canada Council proper.

Until the development of the anomaly in the middle nineteen-sixties, the Investment Committee had been controlled by bank and

finance capitalists; since in the case of the latter group control over material production had usually come as a culmination of careers in banking, it may fairly be claimed that the early years of the Endowment Fund were dominated by bank capital.⁷

With the 1968 appointment of Trevor Moore as Chairman of the Committee, the tendency is reversed, at least for a short time. Material, staples production assumes equal importance.⁸

Yet this transition is, in an important sense, more apparent than real. In appearance a hinterland capitalist, Moore is, as Senior Vice-President of Imperial Oil, in fact a "comprador." His control of Canadian production actually rests on its ownership abroad. Far from representing a nascent (albeit regional) industrial capitalism, he symbolizes an increase in the distance between capital and resources and the transfer of control of both to American finance capital. His retirement from Imperial Oil combined with his "inward" movement to the Canadian Imperial Bank of Commerce emphasizes the fact that the Investment Committee is first and foremost an institution of bank or money capitalists. It thus contrasts quite markedly with the Canada Council proper and with the Canada Development Corporation, both of which are dominated (at least statistically) by manufacturing capital.

However, if my tentative sketch of the social structure of the Canada Development Corporation proves to be accurate in the long run, then the broad terms of the major hypothesis will be proved. In such a case, the "representatives" of Power Corporation

and Brascan (both massive holding companies) would constitute the social equivalent of the Council's Investment Committee,⁹ and the Canada Council would, in a real sense, be prototypical of the Canada Development Corporation.

Such a proposal implies dire predictions for the Canada Development Corporation. Its recent purchase of a 30% equity in Texasgulf, in appearance a repatriation of control of Canadian natural resources, may in fact represent American bourgeois intervention in what is, to date, an institution of State Finance Capital. For, despite hints that a majority of the outstanding shares of Texasgulf are now in Canadian hands, the Development Corporation has replaced only three of the eleven Texasgulf Directors with its own nominees.¹⁰ Since this investment is far and away the largest made by the Corporation, the question can be posed: Who is controlling whom?¹¹

The same question arises in the next section, when I come to consider the first of the minor hypotheses; that the Canadian state is dominated by a bourgeoisie. In the meantime, if the experience of the Canada Council is any guide, the structure of State Finance Capital is both transitory and regressive. The development of the anomaly marks the transition from State Finance Capital back to mere bank capital -- the political emphasis is now on the distributive mechanism; the accumulation mechanism becomes socially stagnant.

A Canadian Ruling Class?

The first minor hypothesis of this thesis was that:

"... the social and corporate structure of the Canada Council demonstrates the domination of the federal government by a bourgeoisie..." 12

My conclusion is that, strictly speaking, this hypothesis has been proved -- but with the important qualification that the evidence suggests that the bourgeoisie in question is not Canadian but American.

Given my previous conclusion that State Finance Capital is a transitory phenomenon in the Canadian context, the second result seems almost inevitable. As Lenin has pointed out (in words which are strikingly applicable to the contemporary Canadian scene):

"... we have seen with what zeal the international capitalist combines exert every effort to make it impossible for their rivals to compete with them; for example, by buying up mineral lands, oil fields, etc. Colonial possession alone gives complete guarantee of success to the monopolies against all the risks of the struggle with competitors, including the risk that the latter will defend themselves by means of a law establishing a state monopoly." 13

In Canada, if the Canada Council is any guide, the potential defence of the state monopoly is being thrown away in practice during the day-to-day operation of those monopolies as part of the private sector -- and a part, moreover, which, protected by the label "Crown corporation", is accountable neither to parliament nor to its "shareholders".

Thus it is the peculiar Canadian form of "government enterprise" or "state intervention" which has vitiated whatever intentions there may have once been to protect the integrity of the

national economy and culture, and which has in any case served to disguise the actual development of neo-colonialism. The appearance of "state intervention" in the economy is, in reality, economic intervention in the state. This much is suggested by the structure of the Canada Council.

Such a conclusion also suggests the existence of a Canadian ruling class; that is, a class which dominates the federal government.¹⁴ The history and structure of the Canada Council and the Canada Development Corporation offer some evidence concerning that class's developing relationship with the state. It seems that both state connections and dynastic structures were important in the original accumulation of the Council's capitalization, and that the state connection was especially significant in the transformation from finance capital (represented by Ike Killam and James H. Dunn) to State Bank Capital (the Council's Endowment and Capital Funds). This transformation apparently marked the end of the specifically dynastic accumulation, and opened an era of more bureaucratic administration which can be seen in flower in the Canada Development Corporation. There remains, however, the tendency for control to revert to the traditional structures with which the dynasts were familiar. Perhaps the transformation corresponds to Johnson's contemporary model of class polarization in Canada,¹⁵ and the reversion to the pyrrhic victory of the continentalists described by Naylor.¹⁶

Two notes of caution are therefore in order here. First, the dynasts themselves had harmonious socio-economic relationships with

the United States, stretching back as far as the eighteenth century with the emigrant maritime connection of the Killams, consolidated by Dunn's commercial and industrial connection with the M. A. Hanna Company, and with its political aspect represented by the social structure of the Masseys. And second, several of these lineages still appear to be playing a significant role, at least at the regional level.¹⁷

However, for the time being it seems safe to say that the class which dominates the federal government is Canadian in name only. The contemporary applicability of the dynastic variable can be combined with a model of bureaucratic administration by subsuming both within the structure of neo-colonialism. Thus the colony is administered by a comprador bureaucracy on behalf of an imperial bourgeoisie; a capitalist class in which the Rockefeller dynasty obviously plays a significant leadership role.¹⁸ Perhaps its long-standing connection with the Canada Council is simply a small part of that leadership.

The Structure of Self-Interest

The second minor hypothesis set out in Chapter One (page 11 above) was that:

"... the Investment Committee of the Canada Council has used the Endowment Fund to subsidize corporate growth in selected sectors of the economy."

My conclusion is that, in the meaning that was originally intended, this hypothesis is false. That is, it seems unlikely that the Cabinet

has made appointments to the Investment Committee chiefly with an eye to the amelioration of regional disparities -- except just possibly in the case of Quebec. Quite the contrary. Of fifteen Committee members born in Canada, only three came from outside the Ontario/Quebec axis -- and none of these three were tenured.¹⁹

The various phases of redistribution of power within the Committee probably give a better picture of the processes involved -- the inclusion of direct Bank of Montreal representation, the introduction of Quebec banking interests, and the acknowledgement of Western regional staples interests. The power structure of the Investment Committee reflects the development of the political economy of Canada.

This kind of distributive model must be combined with the evidence demonstrating that the operations of the Investment Committee are conducted at least in part on the basis of "economic self-interest." Thus even if (as is possible in the second phase of redistribution) the Cabinet has attempted to balance regional disparities indirectly, such an attempt will be frustrated by the ability of the dominant economic class to co-opt the Cabinet's appointees.

The hypothesis is therefore true only in the contradictory sense that the areas of the economy "selected" for subsidization were, in all probability, those already exhibiting hypertrophy. By choosing to act in harmony with the existing structure of power instead of confronting it with state power, the Cabinet has abdicated its responsibilities to ameliorate the worst effects of under-development, at least as far as the operations of the Endowment Fund are concerned.

Policy Conclusion

The genesis of the present thesis was in the very existence of the Endowment Fund of the Canada Council, in the unlimited investment powers of the Council, and the development of the anomaly of undercapitalization in 1965. The first two factors were reminiscent of the structure of American "philanthropic" foundations, while the last factor indicated an interesting structural disjunction between the state and its (nominal) creature.

As regards the parallels with American philanthropy, it seems likely that the Canada Council does play a similar role in the Canadian context: for example, as an aid in corporate control and in providing "intelligence" services to government, quite apart from its overt distributive function.²⁰ The financial disjunction merely provides some leverage, of a predominantly ideological character, for anyone attempting to change the structure of the Council.

In such a case, there are essentially three alternative policies available in considering the Canada Council's Endowment Fund: to leave it unchanged, to change it, or to abolish it. The first alternative is trivial or circular. It should also be rejected on grounds of public policy since, as Hamilton pointed out in 1957²¹ the Endowment Fund represents a method of by-passing parliamentary jurisdiction over the investment of revenue. The second alternative should also be rejected on the grounds that it is difficult to see how Cabinet appointment to the control of such a large pool of capital can be combined with the avoidance of the problem of privatization which has developed in the case of the Investment Committee.

The third alternative is to abolish the Endowment Fund; that is to say, to return the approximately \$75 million capitalization of the Canada Council to general federal revenue. In this way the undesirable aspects of the existence of the Fund (such as privatization and self-dealing) would be eliminated without affecting the (assumed) desirable benefits of the annual distribution of philanthropy. There need be no loss of revenue to the arts, humanities and social sciences; they would merely receive 100% of their support through government appropriation, instead of only 87% as is now the case.

It might be objected that abolition of the Endowment Fund would cause an unacceptable fall in Stock Exchange values as the Fund disposed of its holdings. This need not be a problem. The Fund could be run down over a period of (say) three years, and the proceeds of capital sales transferred to the current account of the Canada Council, whence they would rapidly return to circulation.

Another technical problem is raised by the existence of the \$12 million Killam Fund. Since this Fund is in principle separate from the Endowment Fund, and moreover dedicated to the support of the natural sciences rather than the humanities, it might seem more appropriate to transfer it to the jurisdiction of the National Research Council. Interestingly enough, such a transfer would violate the terms of the original donation, under which the Killam Fund must be distributed to selected universities in the event that the Canada Council is "liquidated."²²

In practice, of course, it seems quite unlikely that substantial changes will soon be made in the Canada Council Act. There is, first of all, the ideological difficulty that to abolish the Endowment Fund is to acknowledge frankly the connection between the state and the arts -- the very link that the creation of the Fund was concerned to deny.²³ But even more of a problem, abolition of the Endowment Fund would amount not only to the ideological "nationalization" of the humanities, but to the real re-nationalization of the Fund's capital. Given the present social structure of the Investment Committee, such an outcome seems exactly as probable as the nationalization of Imperial Oil, Canadian Forest Products, Montreal Trust Company, the United Accumulative Fund, and the Provincial Bank of Canada.

FOOTNOTES

- 1 See Chapter Four, section on "The Power Structure," and Table IV, p. 69.
- 2 ibid., pp. 93 - 94.
- 3 See my quotation from Lienhardt, Social Anthropology, op. cit., Chapter One, page 14, n. 8 above.
- 4 Park, op. cit., p. 43. The argument against a model of managerial monopoly capital has been concisely presented by Theo Nichols, in Ownership, Control and Ideology, (London, George Allen & Unwin Ltd., 1969), p. 147:
 "Theoretically, if one assumes that modern corporations do not have to rely on external capital markets, that directors are not shareholders, and that the latter have great difficulty in organizing effectively, and in any case have limited knowledge, it becomes a major problem to explain why dividends are paid at all."
- 5 Lorne Tepperman, "The Natural Disruption of Dynasties," op. cit., p. 128.
- 6 In The Vertical Mosaic, op. cit., p. 524, Porter notes: "It is difficult to devise a method of measuring such kinship links. There seems to be little point in providing a tedious catalogue of all those which can be traced." He then goes on to provide "a few examples" but concludes that such a methodology "does not measure anything." (p. 525). Nevertheless, he feels able to state shortly afterwards that "It is unlikely ... that there is much point in talking about an establishment of kinship dominating Canadian society and linking the elites of all its institutions." (p. 527). Such a conclusion, it seems to me, is hasty, resulting as it apparently does from an acknowledged lack of appropriate methodology. I suggest that this question needs further investigation, particularly in the period between (say) 1850 and 1950.
- 7 See Table V, Chapter Four, p. 75 above.
- 8 The importance of control of the oil staple was apparently again recognized by the Cabinet when, in January, 1974, it appointed Mrs. Pauline Emily Mills McGibbon as Lieutenant-Governor of Ontario, to take office in April, 1974. The newspaper report of the elevation of this former member of the Canada Council mentioned her husband Donald W. McGibbon several times, but failed to note that for the past 15 years he has been the Treasurer of Imperial Oil Ltd. See The Globe and Mail, January 18, 1974, p. 1; Financial Post Directory of Directors, 1973 - 74.

Until her elevation, Mrs. McGibbon was Chancellor of the University of Toronto and a Director of IBM Canada Ltd. She is a former Senator of University of Toronto, and ex-President of I.O.D.E.

- 9 Recent activities of the Canada Development Corporation seem to support the accuracy of my sketch. In mid-March, 1974, CDC issued \$100 million non-voting preferred stock. "More than 60 per cent was taken up by the five largest banks -- Toronto Dominion, Nova Scotia, Commerce, Montreal and Royal." Vancouver Sun, March 15, 1974, p. 28. At the end of the same month the Corporation announced the name of its new Chairman, replacing Marshall A. Crowe, who had become Chairman of the National Energy Board. The new CDC appointee was John Ellis, Vice-Chairman of the Bank of Montreal and the CDC's "...first banker-director." At the same time, the CDC also announced that a new director had been "elected" to replace the late Francois E. Cleyn. The new director was Philippe de Gaspé Beaubien, President and Chairman of Télémédia Québec Ltd., former Chief Administrator of Expo '67 facilities, and, (significantly omitted from the newspaper report,) a former executive of Power Corporation.

Finally, in early April, 1974, H. Anthony Hampson was reported as stating that the Canada Development Corporation was working on a preliminary prospectus with a view to making a public share offering in May.

The situation was summed up by Ellis in an interview after his new appointment became public. An acknowledged former opponent of "...intrusion by government into sectors of the economy which have been handled efficiently by business."...he admits to a change of mind. 'I didn't understand the situation properly then,' he said. 'I think most businessmen were skeptical (of the CDC) because tax money was being used. But they are looking more favourably on the CDC now.'" See Vancouver Sun, March 29, 1974, p. 29; ibid., April 1, 1974, p. 27; ibid., April 2, 1974, p. 24; and Words, Music, and Dollars: Report of the Special Senate Committee on Mass Media, (The Davey Report), Vol. II, (Ottawa, Queen's Printer for Canada, 1970), pp. 108 - 109.

- 10 Vancouver Sun, December 6, 1973, p. 37, reports the replacements as Hampson, Desmarais and Gallagher. For details of the careers of the first two, See Chapter Five, pp. 120 - 127 above. Both men represent the Power Corporation interest in the Canada Development Corporation. Rather than Brascan, John Gallagher appears to represent American oil interests. He was born in Winnipeg in 1916 and educated at the University of Manitoba and the Harvard School

of Advanced Management. Gallagher spent 10 years with Standard Oil in Egypt, Ecuador, the Bahamas and Peru before becoming Executive Vice-President of Dome Exploration (Western) Ltd., in 1950. When appointed to the CDC he was President of Dome Petroleum, Steelman Gas, and Provo Gas Producers. The following year he added Directorships in the Alberta Research Council and Panarctic Oils Ltd. Dome Petroleum supplies the U.S. market, and currently has a \$60 million exploration agreement with other U.S. suppliers in the Canadian arctic. Chairman of Dome Petroleum is Clifford W. Michel of Kuhn, Loeb & Co., of New York.

- 11 See Chapter Five, n. 17, p. 138, above for details of the Corporation's offer for Texasgulf shares.
- 12 Chapter One, p. 10 above.
- 13 Lenin, Imperialism, op. cit., p. 82, (emphasis added).
- 14 "Writing in 1902, Karl Kautsky observed that 'the capitalist class rules but does not govern', though he added immediately that 'it contents itself with ruling the government'." Miliband, op. cit., p. 55, quoting K. Kautsky, The Social Revolution, 1903, p. 13.
- 15 Johnson, "The development of class in Canada in the twentieth century," in Teeple, ed., op. cit.
- 16 Naylor, "The rise and fall of the third commercial empire of the St. Lawrence," in ibid., pp. 33 - 34.
- 17 For example, the 1972 Board of Directors of the Price Company Limited includes not only Investment Committee members Trevor Moore and Frank Elliott Case, but also Sir J.W. Maxwell Aitken (son of the first Lord Beaverbrook), Sir Neill Cooper-Key (who married the oldest daughter of the 2nd Viscount Rothermere), and Hon. Vere Harmsworth (whose stepmother is a Murchison from Dallas). Cooper-Key and Harmsworth are brothers-in-law. See Financial Post Directory of Directors, 1972; and Who's Who 1972, (London, Adam and Charles Black, 1972).
- 18 I suggest that this leadership can be clearly seen in the field of foreign affairs. In May, 1973, David Rockefeller, Chairman of the Chase Manhattan Bank, opened the first American banking office in the U.S.S.R. in more than 50 years. The previous March Chase Manhattan had made a direct

loan of \$86 million to Russia, also a first in half a century. In July, 1973, David Rockefeller announced that Chase Manhattan was establishing a correspondent relationship with the Bank of China, Peking. According to the announcement, this connection "...will be the first relationship of any kind between American and Chinese mainland banks since the Communist takeover 24 years ago." In October, 1973, former federal trade minister Jean-Luc Pepin announced the formation of a tri-lateral (North America, Japan, Western Europe) international trade commission. Mentioning "recurring monetary crises" and "trade confrontations," Pepin said that "...David Rockefeller took the initiative to propose the establishment of a commission at the non-governmental level for improved communication and cooperative tackling of problems." The "problems" included "...trilateral political relations and monetary problems, international trade, energy problems, policies towards the developing countries, arms control and relations with the socialist states." Altogether an imposing list of interests for "a commission at the non-governmental level." See Vancouver Sun, May 22, 1973, p. 7; March 23, 1973, p. 28; July 5, 1973, p. 31; and October 25, 1973, p. 39.

19 David W. Slater was born in Winnipeg in 1921; Dr. Henry D. Hicks in Bridgetown, N.S., in 1915; and Col. Douglas B. Weldon in Moncton, N.B., in 1895. These three collectively served only four years on the Investment Committee, the first two as designates and the last as an ex officio member.

20 See Chapter Four, above.

21 See Chapter Four, p. 94.

22 C.C., X, 1966-67, pp. 140 - 141. That this question has already been decided is yet another minor indication of the domination by the bourgeoisie of (nominally) state institutions -- not to mention the legislative supremacy of parliament.

23 See Chapter Three, p. 61, n. 51 above. In the committee stage of the debate on the Canada Council Act, St. Laurent said:

"I do not believe that the liberal arts can or should be controlled or directed by the state if they are to remain healthy and continue to flourish." Speaking of the Canada Council, he said: "It is, in effect, to be endowed with freedom to carry on its work in the light of its own wisdom..."

"It is with this in mind that we ask for an endowment fund of \$50 million to be provided from the consolidated revenue fund." Commons. Debates, op. cit., p. 396.

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